

# **U.S. DEPARTMENT OF THE INTERIOR**

**OFFICE OF INSPECTOR GENERAL**

## **AUDIT WORKPLAN SUMMARY**



**FISCAL YEAR 1999**



# United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, D.C. 20240

**OCT 9 1998**

## MEMORANDUM

TO: The Secretary  
Solicitor  
Assistant Secretaries  
Heads of Bureaus and Offices

FROM: Richard N. Reback *Richard N. Reback*  
Acting Inspector General

SUBJECT SUMMARY: Audit Workplan Summary for Fiscal Year 1999

The Audit Workplan Summary for fiscal year 1999 is provided for your information and use. The Workplan includes audits mandated by statute or by Office of Management and Budget directives and discretionary audits of programs and activities of the bureaus and offices within the Department of the Interior.

A major portion of our audit resources are dedicated to mandatory audits, including the audit of the Department's consolidated financial statements and Office of Inspector General oversight of the contracted audit of the financial statements for the Office of the Special Trustee for American Indians tribal, individual Indian monies, and other special trust funds managed by the Office of Trust Funds Management. Although not mandatory, Departmental officials have requested us to conduct audits of the financial statements of individual bureaus and Departmental offices.

In determining the discretionary audits to be included in the Workplan, we considered performance audits requested by Departmental officials and insular area government officials of their programs, activities, or functions. We also considered the mission-related areas of revenue-producing or cost recovery activities, the management and protection of public lands and natural resources, the prevention and cleanup of environmental hazards, and the financial management or administration of bureau functions. Furthermore, we considered other factors, such as the dollar significance of the area, the length of time since the area was last audited, and the potential impact on the protection of assets and/or program operations. The Workplan was designed to be flexible so that changes can be made during fiscal year 1999 to accommodate other audits that may be mandated or requested.

If you have any questions about specific audits included in the Workplan, you can contact the Director assigned to your bureau or office. In that regard, the Director for audits of financial statements and financial-related activities for all bureaus is Ms. Charlotte L. Olson

at (202) 208-5725; the Director for audits of programs and activities of the U.S. Fish and Wildlife Service, the National Park Service, the Office of Surface Mining Reclamation and Enforcement, the U. S. Geological Survey, and the Departmental Offices is Mr. Andy Fedak at (202) 208-5659; the Director for audits of programs and activities of the Bureau of Indian Affairs, the Bureau of Reclamation, and the Office of the Special Trustee for American Indians is Mr. Roger La Rouché at (202) 208-5552; the Director for audits of programs and activities of the Bureau of Land Management and the Minerals Management Service is Mr. Al Klein at (303) 236-9243; and the Director for audits of programs and activities of the insular areas is Mr. Arnold van Beverhoudt at (340) 774-8300. Questions regarding audits of contracts and grants or the administration of single audits and negotiations of indirect cost rates can also be addressed to Ms. Olson.

Additional copies of the Workplan for fiscal year 1999 may be obtained by contacting Mr. Rick A. Farr, Office of the Assistant Inspector General for Management and Policy, at (202) 208-4599 or from our Internet Web site at [www.oig.doi.gov](http://www.oig.doi.gov).

cc: Audit Liaison Officers

# CONTENTS

---

## FISCAL YEAR 1999 AUDIT WORKPLAN SUMMARY

<b><u>Bureau/Audit Title</u></b>	<b><u>Page</u></b>
----------------------------------	--------------------

### **Multi-Office**

Bonding for Oil and Gas Wells on Indian Trust Lands (BLM and BIA)	MOA-1
Indian Royalty Disbursement Process (MMS and BIA)	MOA-3
Accounting for Reimbursable Expenditures of Environmental Protection Agency Superfund Monies	MOA-5
Compliance With Office of Management and Budget Circular No. A-76, "Performance of Commercial Activities"	MOA-7
Value Engineering Program, Department of the Interior	MOA-8

### **Departmental Offices**

Department of the Interior Consolidated Financial Statements for Fiscal Years 1997 and 1998	DMO-1
Departmental Offices Financial Statements for Fiscal Years 1998 and 1999	DMO-2
Working Capital Fund, Office of the Secretary	DMO-4

## **Bureau/Audit Title (Continued)**

## **Page**

### **Office of the Special Trustee for American Indians**

Oversight of Audit of Financial Statements for  
Fiscal Year 1998 for the Office of the Special  
Trustee for American Indians Tribal, Individual  
Indian Monies, and Other Special Trust Funds  
Managed by the Office of Trust Funds Management OST-1

### **Office of Insular Affairs**

Office of Insular Affairs Financial Statements  
for Fiscal Years 1998 and 1999 OIA-1

### **U.S. Fish and Wildlife Service**

U.S. Fish and Wildlife Service Financial Statements  
for Fiscal Years 1998 and 1999 FWS-1  
Oversight of Everglades Grants FWS-3  
Habitat Restoration FWS-5  
National Conservation Training Center FWS-6

### **National Park Service**

National Park Service Financial Statements for Fiscal  
Years 1998 and 1999 NPS-1  
Employee Housing Rental Income NPS-2  
Employee Housing NPS-4  
Gateway National Recreation Area NPS-5  
Equipment Replacement Program NPS-7  
Contracting and Procurement Activities, Washington  
Area Offices NPS-9

### **Bureau of Indian Affairs**

Bureau of Indian Affairs Financial Statements for  
Fiscal Years 1998 and 1999 BIA-1  
School Compliance With Local Financial Plans BIA-3  
Accountability and Control Over Artwork and Artifacts,  
Central Office West and Albuquerque Area BIA-5  
Facilities Construction Program BIA-6

## **Bureau/Audit Title (Continued)**

## **Page**

Selected Commercial Contract Management Activities, Albuquerque Common Support Center	BIA-9
Operation of Programs Under Public Law 93-638 Contracts	BIA-10
National Indian Gaming Commission	BIA-11

## **Bureau of Land Management**

Bureau of Land Management Financial Statements for Fiscal Years 1998 and 1999	BLM-1
Mining Law Administration	BLM-3
Hazardous Materials Management	BLM-5
Property and Equipment	BLM-7
Fire Protection Agreements With State and Local Governments	BLM-8

## **Minerals Management Service**

Minerals Management Service Financial Statements for Fiscal Years 1998 and 1999	MMS-1
Transportation and Processing Allowance Deductions	MMS-3
Royalty Management Program Reengineering Initiative	MMS-5
Review of General and Application Controls Over the Technical Information Management System, Offshore Minerals Management Program	MMS-7
Oil Spill Response Research Program	MMS-9

## **Office of Surface Mining Reclamation and Enforcement**

Office of Surface Mining Reclamation and Enforcement Financial Statements for Fiscal Years 1998 and 1999	OSM-1
Administration of State Regulatory Grant Programs	OSM-3
General and Application Controls Over Automated Information Systems	OSM-5

## **Bureau/Audit Title (Continued)**

## **Page**

### **Bureau of Reclamation**

Bureau of Reclamation Financial Statements for Fiscal Years 1998 and 1999	BOR-1
Followup of Repayment of Municipal and Industrial Water Supply Costs	BOR-3
Billing and Collection Procedures for Recovering Reimbursable Costs of Water Projects	BOR-5
Renewal of Central Valley Project Long-Term Water Service Contracts	BOR-7
General Property, Plant, and Equipment	BOR-9

### **U.S. Geological Survey**

U.S. Geological Survey Financial Statements for Fiscal Years 1998 and 1999	GSV-1
Working Capital Fund	GSV-3

### **Government of Guam**

Guam Economic Development Authority	INS-1
Guam U.S. Passport Office	INS-2
Followup of Recommendations Concerning the Hawaiian Homes Commission	INS-3

### **Federated States of Micronesia**

Rural Economic and Community Development Services, U.S. Department of Agriculture, Pohnpei Area Office	INS-5
--	-------

### **Republic of the Marshall Islands**

Marshall Islands Development Bank	INS-7
-----------------------------------	-------

### **Republic of Palau**

Management and Oversight of Selected Construction Projects	INS-9
---	-------

**Bureau/Audit Title (Continued)****Page****Government of the Virgin Islands**

Federal Transit Administration Grants, Department of Public Works	INS-10
Environmental Protection Agency Grants, Department of Public Works	INS-11
Consolidated Grant Program, Department of Education	INS-12
Low-Income Housing Assistance, Virgin Islands Housing Authority	INS-14
Division of Paternity and Child Support, Department of Justice	INS-16
Medicaid Program Grants, Department of Health	INS-17
Administration of Federal Grants, University of the Virgin Islands	INS-19
Virgin Islands Watch Company Quota Applications	INS-20



# **FACT SHEET**

## **BONDING FOR OIL AND GAS WELLS ON INDIAN TRUST LANDS, BUREAU OF LAND MANAGEMENT AND BUREAU OF INDIAN AFFAIRS**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

Oil and gas leases on tribal lands are authorized under the provisions of the Indian Mineral Leasing Act of 1938, while oil and gas leases on allotted Indian lands are authorized under the provisions of the Act of March 3, 1909, as amended. In addition, oil and gas leases on both tribal and allotted lands are allowed under the Indian Mineral Development Act of 1982. According to data stored in the Bureau of Land Management's Automated Inspection Records System, there are approximately 3,700 leases and 16,000 wells, many of which are inactive, on tribal and allotted Indian lands. Under various acts, the Secretary of the Interior is required to formulate and enforce, through the Bureau of Land Management, regulations regarding oil and gas operations on Federal and Indian lands. The functions assigned to the Bureau include providing technical assistance, performing inspections, and monitoring the status of wells.

The Bureau of Indian Affairs has a fiduciary responsibility to protect the natural resources and related financial interests on Indian trust lands. Under Title 25 of the Code of Federal Regulations, the Bureau is responsible for ensuring that oil and gas well operators are properly bonded to ensure compliance with the terms of the lease, including the timely plugging of wells and the cleanup of the leased area. According to Bureau officials, bond amounts vary by area office, and, as such, the adequacy of the amounts established may be questionable. The Bureau requires a \$150,000 minimum for a full "nationwide" coverage bond, while a "collective" bond (basically a reservationwide bond) may be as little as \$25,000. Bonds for individual lease lands may range from zero up to \$15,000, with the majority at \$15,000. However, even \$15,000 may be inadequate to pay the costs to plug the wells and satisfactorily clean up the land in cases where a large lease containing many well sites is involved. Additionally, many of the older leases had bonds of only \$2,000 provided as collateral security, which would likely be inadequate to cover the costs associated with the abandonment of the lease. Because of its trust responsibility, the Bureau may be liable for the

abandonment costs if the bonds provided are considered unreasonable for the amount of work needed to put the lease site back in the condition stipulated in the lease agreement.

## **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the policies and procedures of the Bureau of Land Management and the Bureau of Indian Affairs for the bonding of oil and gas wells on trust lands have been effectively implemented and were sufficient to ensure that oil and gas wells were properly plugged and the leased lands were cleaned up as required. Specifically, we will determine whether the bonding accurately reflected the cost of potential liabilities, the new bonding regulations were adequate, and bond forfeitures were collected timely. The audit will include a review of bonding activities that occurred during fiscal years 1997 and 1998.

# **FACT SHEET**

## **INDIAN ROYALTY DISBURSEMENT PROCESS, MINERALS MANAGEMENT SERVICE AND BUREAU OF INDIAN AFFAIRS**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

There are approximately 4,300 producing or producible Indian mineral leases. Since 1983, the Minerals Management Service has generally disbursed mineral revenues derived from leases on public domain lands to the respective states and tribes in the month following receipt of the payment. The disbursements are made under the provisions of Section 104 of the Federal Oil and Gas Royalty Management Act of 1982, which amended the revenue disbursement provisions of the Mineral Leasing Act of 1920 (30 U.S.C. 191).

The Service deposits Indian revenues into accounts administered by the Office of Trust Funds Management, and the funds are invested before they are distributed. The Bureau of Indian Affairs subsequently makes disbursements to tribes and to individual Indians except that oil and gas payments to the Jicarilla Apache, the Blackfeet, the Navajo Nation, and the Southern Ute Tribes are made directly by lease payors to financial institutions contracted by these tribes to receive their mineral payments. Both the Service and the Bureau have organization units that attempt to resolve royalty payment problems. However, certain oil and gas companies do not comply with the Service's and the Bureau's controls in that they pay approximately half of the amount of such royalties directly to Indian tribes or individual Indians. The other half goes to the Service.

In fiscal year 1997, Indian mineral lease revenues of approximately \$205 million were disbursed (\$68.7 million in coal, \$76 million in gas, \$52.2 million in oil, and an additional \$8.5 million in other royalties). Although these disbursements represented only about 4 percent of the Service's annual collections, the Service stated that these revenues are often critical to the well-being of Indian recipients.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) the Indian royalty disbursement process was operating effectively and efficiently and (2) the Minerals Management Service

and the Bureau of Indian Affairs were complying with established policies and procedures for collecting and disbursing Indian royalty receipts and with applicable laws and regulations.

# **FACT SHEET**

## **ACCOUNTING FOR REIMBURSABLE EXPENDITURES OF ENVIRONMENTAL PROTECTION AGENCY SUPERFUND MONIES, DEPARTMENT OF THE INTERIOR**

### **TYPE OF AUDIT**

Financial (financial related)

### **BACKGROUND**

The Environmental Protection Agency enters into reimbursable agreements with the Department of the Interior to obtain technical assistance to survey damage to natural resources from hazardous substances. The surveys are compensable under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Public Law 86-510) (commonly referred to as the Superfund Act), amended as the Superfund Amendments and Reauthorization Act of 1986. The surveys are formalized with interagency agreements between the Environmental Protection Agency and the responsible Department of the Interior agency. Actual survey work is performed by Departmental agency personnel, with contractor support from universities or other entities.

Section 107 of the Superfund Act imposes a liability upon responsible parties for the costs of cleanup and for damage resulting from release of hazardous substances. The Environmental Protection Agency can recover from responsible parties all costs incurred, including survey costs. To ensure recovery of survey costs, Departmental bureaus are required to maintain site-specific accounts and document all costs incurred as specified in interagency agreements. The Environmental Protection Agency reimburses Departmental bureaus that conduct surveys for allowable costs, including indirect costs.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether Department of the Interior bureaus complied with procedures for accounting for costs of reimbursable projects funded by the Environmental Protection Agency from fiscal years 1993 through 1998. Specifically, the audit will determine whether the bureaus (1) maintained accurate, complete, and current site-specific cost records for reimbursable projects; (2) had source-record documentation to

support all costs charged to specific projects; and (3) obtained reimbursements only for actual costs.

# **FACT SHEET**

## **COMPLIANCE WITH OFFICE OF MANAGEMENT AND BUDGET CIRCULAR NO. A-76, "PERFORMANCE OF COMMERCIAL ACTIVITIES," DEPARTMENT OF THE INTERIOR**

### **TYPE OF AUDIT**

Performance (program results)

### **BACKGROUND**

In March 1979, the Office of Management and Budget issued Circular No. A-76, "Performance of Commercial Activities." The Circular, which was revised in 1983 and in 1996, established procedures for determining whether Governmental activities and functions should be performed in-house using Government facilities and personnel or under contract with commercial sources. According to the Circular, the Government "should not compete with its citizens" but should rely on commercial sources to supply Government products and services "to achieve economy and enhance productivity." The Circular further stated that only functions which are "inherently Governmental in nature" should be excluded from consideration as a commercial means of providing Governmental goods or services.

Until October 1992, the Office of Management Improvement, under the Assistant Secretary for Policy, Management and Budget, was responsible for implementation of the Circular. After that time, the Office of Management Improvement was abolished, and responsibility for the Circular was transferred to the Office of Acquisition and Property Management.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the Department of the Interior and its bureaus took effective and appropriate action to implement the requirements of Office of Management and Budget Circular No. A-76 or performed alternative studies to achieve the Circular's objectives. The scope of the review will include completed, ongoing, and scheduled analyses or productivity/privatization reviews that occurred from fiscal years 1996 through 1998.

# **FACT SHEET**

## **VALUE ENGINEERING PROGRAM,** **DEPARTMENT OF THE INTERIOR**

### **TYPE OF EVALUATION**

Performance (program results)

### **BACKGROUND**

Value engineering is an organized study of the functions of a program, product, facility, or procedure to generate alternatives that will satisfy the user's needs at the lowest possible cost. The studies can be performed by both in-house and contractor personnel. Office of Management and Budget Circular A-131, "Value Engineering," requires Federal departments and agencies to use value engineering to identify and reduce nonessential procurement and program costs. In addition, the Circular requires these departments and agencies to submit an annual report to the Office of Management and Budget that lists the studies performed and the resultant savings. Also, the Circular requires Offices of Inspector General to periodically audit each agency's reported savings "as the need arises."

### **EVALUATION OBJECTIVE AND SCOPE**

The objective of the evaluation is to determine whether the Department of the Interior and its bureaus were adequately complying with the requirements of Office of Management and Budget Circular A-131 as they pertain to the Department's Value Engineering Program. The scope of the audit will include a review of Program activities that occurred during fiscal years 1996 and 1997 and of the Department's implementation of prior audit report recommendations.



# **FACT SHEET**

## **DEPARTMENT OF THE INTERIOR** **CONSOLIDATED FINANCIAL STATEMENTS** **FOR FISCAL YEARS 1997 AND 1998**

### **TYPE OF AUDIT**

Financial (financial statements)

### **BACKGROUND**

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) the consolidated financial statements of the Department of the Interior for fiscal years 1998 and 1999 were presented fairly and in accordance with applicable accounting standards; (2) internal controls were effectively implemented (that is, assurance was provided that the Department complied with applicable laws and regulations; safeguarded funds, property, and other assets against waste, loss, unauthorized use, or misappropriation; and properly recorded and accounted for revenues and expenditures); (3) the Department complied with applicable laws and regulations as required by generally accepted government auditing standards; (4) the internal control evaluation process was in compliance with the Federal Managers' Financial Integrity Act and Office of Management and Budget guidelines and requirements; and (5) the financial information in the overview was documented, supported, and accurate.

# **FACT SHEET**

## **DEPARTMENTAL OFFICES** **FINANCIAL STATEMENTS** **FOR FISCAL YEARS 1998 AND 1999**

### **TYPE OF AUDIT**

Financial (financial statements)

### **BACKGROUND**

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

The Departmental Offices are composed of the Secretary's Office; the Office of the Solicitor; the Office of Inspector General; and the Office of Policy, Management and Budget, which includes the Office of Construction Management and the Working Capital Fund (including the Office of Aircraft Services).

The Secretary's Office, including the Office of Policy, Management and Budget, provides executive direction and management for the Department of the Interior. The Office of the Solicitor provides legal services for all components of the Department. The Office of Inspector General provides audit and investigative services for the Department. The Working Capital Fund was established to provide required central services to the Departmental offices and bureaus on a reimbursable basis.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) the financial statements of the Departmental Offices for fiscal years 1998 and 1999 were presented fairly and in accordance with applicable accounting standards; (2) internal controls were effectively implemented (that is, assurance was provided that the Departmental Offices complied with applicable laws and

regulations; safeguarded funds, property, and other assets against waste, loss, unauthorized use, or misappropriation; and properly recorded and accounted for revenues and expenditures); (3) the Departmental Offices complied with applicable laws and regulations as required by generally accepted government auditing standards; (4) the internal control evaluation process was in compliance with the Federal Managers' Financial Integrity Act and Office of Management and Budget guidelines and requirements; and (5) the financial information in the overview was documented, supported, and accurate.

# **FACT SHEET**

## **WORKING CAPITAL FUND,** **OFFICE OF THE SECRETARY**

### **TYPE OF AUDIT**

Financial (financial related)

### **BACKGROUND**

The Office of the Secretary's Working Capital Fund was established in accordance with the United States Code (43 U.S.C. 1467) to provide required central services efficiently and economically to organizations within or involved in activities of the Department of the Interior. While most of the Fund's customers are the Department's bureaus and offices, several commissions, other Federal agencies, state governments, and various cooperators also are customers.

The Fund is a revolving fund whereby services are provided to customers who reimburse the Fund for costs incurred. Direct appropriations have not been requested for the Fund since its inception in 1950. Activities financed through the Fund include administrative support such as financial accounting and budget, pay and personnel, procurement, security, printing, communications, and automated data processing equipment maintenance.

The Department charges customers for Fund services using two billing methods, which generally depend on the provider's ability to allocate the costs incurred to individual customers as follows:

- Direct billing, which is used when the costs incurred by the provider are based solely on the level of service specifically requested by the customer.

- Allocated cost billing, which is used to charge customers for centralized administrative services. Costs are distributed according to work load indicators compiled by the Fund providers. These indicators include historical data on usage, number of personnel serviced, number of transactions processed, or other quantitative data available that have been updated for the anticipated current year work load.

For fiscal year 1997, total revenue for the Working Capital Fund, excluding the Office of Aircraft Services, totaled \$27.5 million.

## **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the Office of the Secretary properly accounted for and billed expenses of the Working Capital Fund. Specifically, we will determine whether (1) customer accounts were correctly charged for Fund costs, (2) billing rates were supported by reasonable allocation methods and budgets, (3) bills were accurate, (4) Fund profits were used to reduce the following year's base for calculating billing rates, and (5) Fund expenses were limited to costs related to Fund activities. The scope of the audit includes Fund activities that occurred during fiscal years 1996 and 1997.

# **FACT SHEET**

## **OVERSIGHT OF AUDIT OF FINANCIAL STATEMENTS FOR FISCAL YEAR 1998 FOR THE OFFICE OF THE SPECIAL TRUSTEE FOR AMERICAN INDIANS TRIBAL, INDIVIDUAL INDIAN MONIES, AND OTHER SPECIAL TRUST FUNDS MANAGED BY THE OFFICE OF TRUST FUNDS MANAGEMENT**

### **TYPE OF AUDIT**

Financial (financial statements)

### **BACKGROUND**

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

The Secretary of the Interior has been designated by the Congress as the U.S. Government trustee on behalf of the account holders of Indian Trust Funds. Through February 8, 1996, the Secretary delegated the authority for management of the Indian Trust Funds to the Assistant Secretary for Indian Affairs, who carried out management of the Indian Trust Funds through the Office of Trust Funds Management, Bureau of Indian Affairs. On February 9, 1996, the Secretary transferred management of Indian Trust Funds from the Bureau to the newly established Office of the Special Trustee for American Indians, within the Office of the Secretary. The Office of Trust Funds Management was also transferred from the Bureau of Indian Affairs to the Office of the Special Trustee, but administrative support of the Office of Trust Funds Management continued to be provided by the Bureau of Indian Affairs.

The Office of Trust Funds Management has contracted with a public accounting firm to audit the financial statements of the Indian Trust Funds. The financial audit of the operations of the Office of the Special Trustee and the Office of Trust Funds Management will be included in the audit of the financial statements of the Departmental Offices, which is performed by the

Office of Inspector General. Office of Management and Budget Bulletin 93-06, "Audit Requirements for Federal Financial Statements," required the Inspector General to provide oversight of audits performed by independent external auditors pursuant to the Chief Financial Officers Act of 1990.

## **AUDIT OBJECTIVE AND SCOPE**

As required by Section 10 of Bulletin 93-06, the Office of Inspector General will (1) ensure that audits of independent external auditors are performed in accordance with the requirements of the Bulletin, (2) provide technical advice and liaison to agency officials and independent external auditors, (3) make quality reviews of audits made by independent external auditors and provide the results to other interested parties, and (4) monitor and report on management's progress in resolving audit findings reported by the independent external auditors. The independent external auditor is to audit the financial statements of the Indian Trust Funds for fiscal year 1998.

# **FACT SHEET**

## **OFFICE OF INSULAR AFFAIRS** **FINANCIAL STATEMENTS** **FOR FISCAL YEARS 1998 AND 1999**

### **TYPE OF AUDIT**

Financial (financial statements)

### **BACKGROUND**

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

The Office of Insular Affairs (formerly the Office of Territorial and International Affairs) has broad goals to promote the economic, social, and political development of the territories, leading each toward greater self-government, and to further international peace and security by conducting territorial affairs in coordination with the defense and foreign policies of the United States. Specific strategies are to promote private sector investment and economic diversification in the territories, to improve territorial government efficiency, and to promote greater fiscal responsibility and accountability within the local governments.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) the financial statements of the Office of Insular Affairs for fiscal years 1998 and 1999 were presented fairly and in accordance with applicable accounting standards; (2) internal controls were effectively implemented (that is, assurance was provided that Insular Affairs complied with applicable laws and regulations; safeguarded funds, property, and other assets against waste, loss, unauthorized use, or misappropriation; and properly recorded and accounted for revenues and expenditures); (3) Insular Affairs complied with applicable laws and regulations as required by generally accepted government auditing standards; (4) the internal control evaluation process was in



compliance with the Federal Managers' Financial Integrity Act and Office of Management and Budget guidelines and requirements; and (5) the financial information in the overview was documented, supported, and accurate.

# **FACT SHEET**

## **U.S. FISH AND WILDLIFE SERVICE** **FINANCIAL STATEMENTS** **FOR FISCAL YEARS 1998 AND 1999**

### **TYPE OF AUDIT**

Financial (financial statements)

### **BACKGROUND**

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

The U.S. Fish and Wildlife Service is responsible for conserving, protecting, and enhancing fish and wildlife and their habitats. The Service manages approximately 510 national wildlife refuges, 193 waterfowl production areas, 50 coordination areas, and 32 wetland management districts in 178 counties, for a total of 92 million acres. In addition, the Service manages 78 fish hatcheries throughout the country.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) the financial statements of the U.S. Fish and Wildlife Service for fiscal years 1998 and 1999 were presented fairly and in accordance with applicable accounting standards; (2) internal controls were effectively implemented (that is, assurance was provided that the Service complied with applicable laws and regulations; safeguarded funds, property, and other assets against waste, loss, unauthorized use, or misappropriation; and properly recorded and accounted for revenues and expenditures); (3) the Service complied with applicable laws and regulations as required by generally accepted government auditing standards; (4) the internal control evaluation process was in compliance with the Federal Managers' Financial Integrity Act and Office of Management and Budget

guidelines and requirements; and (5) the financial information in the overview was documented, supported, and accurate.

# **FACT SHEET**

## **OVERSIGHT OF EVERGLADES GRANTS,** **U.S. FISH AND WILDLIFE SERVICE**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

Public Law 104-127, the Federal Agriculture Improvement and Reform Act of 1996, Section 390, provided up to \$300 million to the Secretary of the Interior to fund or conduct restoration activities in the State of Florida's Everglades ecosystem, including the acquisition of real property and interests in real property and the funding of resource protection and resource maintenance activities. An October 3, 1996, agreement between the Department of the Interior, the Department of the Army, and the State of Florida's Department of Environmental Protection and the South Florida Water Management District established the roles of the participants in the Everglades ecosystem project that was to be financed with Section 390 (Public Law 104-127) funds. Under the agreement, the Secretary of the Interior determines the use of Section 390 funds; the Army's Corps of Engineers plans and constructs components of the project; and the Water District manages the real property, after project completion, in accordance with approved water control plans and operation and maintenance manuals. The agreement provided for all Section 390 funds to be matched by nonfederal funds on a "dollar-for-dollar basis."

Individual agreements for Everglades ecosystem projects (negotiated by the Department of the Interior and State of Florida agencies) are required to use U.S. Fish and Wildlife Service standard forms and procedures. Also, the Service has a significant role in administering project grants. As of October 1997, the Service had provided Section 390 funding of about \$18 million and said that it planned to provide additional funding of about \$110 million to \$120 million to the South Florida Water Management District for the Everglades. These grants have financed East Coast Buffer area projects.

In December 1997, the Service entered into a cost-reimbursable agreement with the Defense Contract Audit Agency for the audit of Farm Bill grants to the South Florida Water Management District. Audit completion was scheduled for September 30, 1998.

## **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the U.S. Fish and Wildlife Service (1) provided adequate oversight to ensure that Section 390 grants awarded to the South Florida Water Management District were in compliance with Public Law 107-127 and with applicable regulations and (2) had taken or planned to take actions to correct any audit exceptions identified by the Defense Contract Audit Agency. The scope of the audit includes grant-related activities that occurred during fiscal years 1997 and 1998.

# **FACT SHEET**

## **HABITAT RESTORATION,** **U.S. FISH AND WILDLIFE SERVICE**

### **TYPE OF AUDIT**

Performance (program results)

### **BACKGROUND**

The U.S. Fish and Wildlife Service operates the National Wildlife Refuge System, which consists of 510 refuges, 193 waterfowl production areas, and 50 coordination areas. The Refuge System provides a network of habitats for wildlife, including animals and plants, some of which are rare and endangered species. At refuges, the Service engages in rehabilitation and enhancement projects to sustain the habitats needed to support biodiversity.

Refuges are subject to considerable disturbance or degradation because of factors such as agricultural conversion, excessive forest cutting, overgrazing, water diversion, and the invasion of noxious and nonnative plants. To restore the natural hydrology of wetlands, the Service replants native trees and grasses. According to the Service, over 200,000 acres of refuge property need hydrologic restoration, reforestation, or reseeding of native grasses.

In fiscal year 1997, the Service received \$44 million for habitat management. In fiscal year 1998, the Service received \$69.8 million for habitat improvements. The funding increase in fiscal year 1998 was attributable in part to a change in the refuge operations budgetary classification ("habitat management" was changed to "improve habitat"), which expanded the activities included in the program element. The Service requested funding of \$73.9 million for fiscal year 1999 habitat improvements.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the U.S. Fish and Wildlife Service adequately identified and prioritized habitat restoration projects, completed these projects in an effective and efficient manner using value engineering principles, used funding made available for habitat restoration in accordance with Service guidance and regulations, and accurately reported its backlog of restoration projects. The scope of the audit will include a review of habitat restoration projects in progress or completed during fiscal years 1997 and 1998.

# **FACT SHEET**

## **NATIONAL CONSERVATION TRAINING CENTER,** **U.S. FISH AND WILDLIFE SERVICE**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

The U.S. Fish and Wildlife Service completed construction of the National Conservation Training Center in 1997. Located near Shepherdstown, West Virginia, the Center is a comprehensive training facility with classrooms, staff offices, dormitories, and food services. The Center's fiscal year 1997 operating budget was \$8.9 million. For fiscal year 1998, the Service requested \$13 million to finance the first full year of operating costs. For fiscal year 1998, the Service expected to receive reimbursements of about \$800,000 from non-Service users for room and board, use of classrooms, and tuition and funding from the Bureau of Land Management and the National Park Service to finance a portion of fixed costs and overhead and the salaries of two liaison personnel for each bureau.

According to the Service, the Center will provide mission-related skills training for Service employees and for resource managers from over 25 other organizations such as state fish and wildlife agencies, the Department of Defense, the Environmental Protection Agency, and the national Marine Fisheries Service, as well as nongovernmental agencies such as The Nature Conservancy. According to the fiscal year 1998 budget justification, the objective of the Center is to "[a]dvance conservation of fish, wildlife, and their habitats through leadership in training for the conservation and resource management community, conservation education for the public, and fostering alliances among diverse interests."

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the U.S. Fish and Wildlife Service operated the National Conservation Training Center in an efficient and effective manner and in accordance with applicable laws, regulations, and guidance. Specifically, the audit will determine whether the Center developed adequate procedures for recovering costs from other organizations and coordinated its programs with those of other agencies and common-interest groups to avoid duplication of training. The scope of audit will include program activities that occurred since the Center's operational inception in 1997.

# **FACT SHEET**

## **NATIONAL PARK SERVICE FINANCIAL STATEMENTS FOR FISCAL YEARS 1998 AND 1999**

### **TYPE OF AUDIT**

Financial (financial statements)

### **BACKGROUND**

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

The National Park Service is responsible for managing, preserving, and protecting 368 areas that cover the 80 million acres which compose the national park system.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) the financial statements of the National Park Service for fiscal years 1998 and 1999 were presented fairly and in accordance with applicable accounting standards; (2) internal controls were effectively implemented (that is, assurance was provided that the Park Service complied with applicable laws and regulations; safeguarded funds, property, and other assets against waste, loss, unauthorized use, or misappropriation; and properly recorded and accounted for revenues and expenditures); (3) the Park Service complied with applicable laws and regulations as required by generally accepted government auditing standards; (4) the internal control evaluation process was in compliance with the Federal Managers' Financial Integrity Act and Office of Management and Budget guidelines and requirements; and (5) the financial information in the overview was documented, supported, and accurate.



# **FACT SHEET**

## **EMPLOYEE HOUSING RENTAL INCOME,** **NATIONAL PARK SERVICE**

### **TYPE OF AUDIT**

Performance (program results)

### **BACKGROUND**

The National Park Service maintains park housing for some employees who provide visitor services in the parks. In-park housing is provided for some seasonal employees, permanent employees at isolated parks, and permanent employees at nonisolated parks who provide necessary visitor services or who protect Government property or resources. In a few parks, Government housing is provided to concessioner employees. In fiscal year 1996, the Park Service had about 5,200 single-family and multiple-unit housing quarters for park employees and collected about \$12.5 million in rental income from park employees who used Government housing. In its fiscal year 1997 budget justification, the Park Service reported that it expected to receive rental income of about \$15 million in fiscal year 1997 and \$15.4 million in fiscal year 1998. The Park Service does not maintain information on the amount of rental income received from concessioner employees because this income is collected by the concessioner and is used by the concessioner to maintain the housing facilities.

Federal guidance regulates the rental rates that are charged for the use of Government quarters. Federal law (5 U.S.C. 5911) requires Federal agencies to establish rental rates or charges for Government quarters that are based on their "reasonable value . . . to the employee . . . in the circumstances under which the quarters and facilities are provided, occupied or made available." There are no Congressional restrictions on the amount of annual increases that can be charged for employee housing. Office of Management and Budget Circular No. A-45, "Rental and Construction of Government Quarters," states that rental rates should be based on "the rule of equivalence; namely, that charges for rental and related facilities should be set at levels equal to those prevailing for comparable private housing located in the same area, when practicable." The Circular also states that the rates should not reflect subsidies to the employees or serve as an inducement in the recruitment or retention of employees and that the rates should be fair and consistent. Public Law 101-121, Title III (Section 331), dated October 1989, provides for rents and charges for housing to be collected by payroll deduction, and Public Law 98-473 (Section 101(c)) provides for rental

fees to be deposited into a special fund and for the monies "to remain available, until expended, for the maintenance and operation of the quarters of that agency."

## **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) the rental rates charged to employees of the National Park Service and to concessioner employees for the use of Government housing are based on criteria contained in Office of Management and Budget Circular No. A-45, "Rental and Construction of Government Quarters"; (2) housing has been provided only to properly authorized and eligible individuals; and (3) the Park Service has established adequate controls over the assessment, collection, recording, and use of rental income paid by Park Service and concessioner employees for the use of Government quarters. The scope of the audit will include a review of rental rates and assessments that were in effect and collections that were made during fiscal years 1997 and 1998.

# **FACT SHEET**

## **EMPLOYEE HOUSING,** **NATIONAL PARK SERVICE**

### **TYPE OF AUDIT**

Performance (program results)

### **BACKGROUND**

The National Park Service constructs park housing for some employees who provide in-park visitor services. In-park housing is provided for some seasonal employees, permanent employees at isolated parks, and permanent employees at nonisolated parks who provide necessary visitor services or who protect Government property or resources. In fiscal year 1996, the Park Service had about 5,200 housing units for park employees, which consisted of single-family and multiple-unit facilities.

In its testimony to the Congress on the fiscal year 1998 budget, the Park Service reported a significant maintenance backlog, which included housing rehabilitation and construction costs. A December 1996 Park Service report (No. 97-I-224) showed that the Park Service had a recapitalization requirement of about \$442 million for housing permanent and seasonal employees.

A Congressional hearing held on October 29, 1997, focused on the high cost of Park Service employee housing. In response to Congressional direction, the Park Service agreed to conduct an assessment of its housing inventory and the need for employee housing, review the process for the design and construction of employee housing, and suspend requests for funding additional housing units until the assessment and review were completed.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the National Park Service justified its need for additional employee housing and for major renovation/rehabilitation of employee housing facilities, based its housing needs on a value engineering analysis of the most cost-effective means of providing housing facilities (single-family and multiple-unit facilities), and initiated housing construction programs based on the highest priority needs and eligibility requirements. The audit will include a review of housing projects that were planned, under construction, or completed during fiscal years 1997 and 1998.

# **FACT SHEET**

## **GATEWAY NATIONAL RECREATION AREA,** **NATIONAL PARK SERVICE**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

The Gateway National Recreation Area, which was authorized by the Congress in 1972 and established in 1974 as America's first urban national park, provides recreational opportunities for residents and visitors in the most densely populated areas of the eastern United States.

Gateway consists of over 26,000 acres and covers four noncontiguous sites in two states, extending from Sandy Hook, New Jersey, through Staten Island, New York, and into the Jamaica Bay and Rockaway Peninsula areas of Brooklyn and Queens, New York. Gateway is the sixth most visited park in the national park system, with approximately 7 million visitors per year. Park activities available to the public include beach recreation, fishing, picnicking, golfing, horseback riding, cycling, in-line skating, jogging, and organized athletics. Gateway also has a visitor center and offers interpretive programs. Camping is available for organized groups on a reservation basis only. A few overnight camping sessions are available to the general public each year. Gateway has two marinas, a full service restaurant, a facility for horseback riding and horse boarding, fast food and beach supply operations, and a parking area, all of which are operated by 11 concessioners. In fiscal year 1997, Gateway had a budget of about \$19.4 million and had 343 full-time- equivalent positions.

The National Park Service has reported a need for significant capital investments at Gateway. For example, a Department of the Interior listing of fiscal year 1999 bureau priority funding needs included Park Service construction funds of \$5.7 million for Floyd Bennett Field utility system rehabilitation and \$884,000 for the Sandy Hook lighthouse rehabilitation at Gateway. In its fiscal year 1998 budget justification, the Park Service listed line item construction projects of \$4.8 million for protection of an entrance road and \$4.5 million for rehabilitation of the Jacob Riis Park at Gateway.

## **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the National Park Service operated Gateway National Recreation Area in an economical and efficient manner and in compliance with applicable laws and regulations and provided adequate oversight of its concessioners. Specifically, we will determine whether the Park Service managed competing park operational and program requirements, implemented Gateway's general management plan, and documented and planned resource and capital requirements needed for park operations. The scope of the audit will include a review of Gateway activities and operations that occurred during fiscal years 1997 and 1998.

# **FACT SHEET**

## **EQUIPMENT REPLACEMENT PROGRAM,** **NATIONAL PARK SERVICE**

### **TYPE OF AUDIT**

Performance (program results)

### **BACKGROUND**

The National Park Service manages 370 park units in 49 states, the District of Columbia, and several U.S. insular areas. Passenger vehicles, heavy motorized vehicles and equipment, communications networks, and automated data processing equipment are all essential to the effective operation of the National Park Service. Dump trucks, snow plows, fire trucks, ambulances, and other vehicles are required to maintain roads, protect life and property, and provide the means to carry out services necessary to meet law enforcement, emergency medical, sanitation, and general transportation needs. Automated data processing equipment provides for the ongoing support of programs such as maintenance management, payroll, and personnel management. Communications equipment, such as telephones and voice response systems, is also essential to operations. This equipment has to be safe and operative and in good condition and has to be replaced on a scheduled basis. The Park Service, in its fiscal year 1998 budget justification, estimated that the cost of replacing 4,700 vehicles which exceeded age or mileage criteria would be \$75 million.

Through fiscal year 1994, the equipment replacement program was funded under the Operation of the National Park System appropriation. Congressional action on the fiscal year 1995 appropriation provided for the transfer of this program to the Construction appropriation, where it is funded under the budget activity Equipment Replacement Program. In fiscal years 1996 and 1997, the Park Service received about \$29 million to replace equipment, and for fiscal year 1998, the Park Service requested funding of \$17.9 million, which included a \$3.5 million increase over fiscal year 1997 funding to finance conversion to a narrowband radio system and modernization of information management equipment.

## **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the National Park Service managed its Equipment Replacement Program effectively, including the acquisition, transfer, and disposal of equipment, in accordance with Federal, Department of the Interior, and Park Service regulations. The scope of the audit will include a review of expenditures to replace equipment that were made in fiscal years 1997 and 1998.

# **FACT SHEET**

## **CONTRACTING AND PROCUREMENT ACTIVITIES, WASHINGTON AREA OFFICES, NATIONAL PARK SERVICE**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

In the Washington, D.C. area, the National Park Service has three contracting and property offices: the Washington Office, the Washington Administration Program Center Office, and the National Capitol Region Office. The Washington Office awards contracts that are Servicewide; the Administration Center, which was formed from the Washington Office in 1997, awards contracts for the headquarters offices in the Washington, D.C., area; and the National Capitol Region awards contracts for the Regional headquarters and related park units.

According to Park Service records, these contracting offices processed 290 contract actions, totaling \$52 million, in fiscal years 1995, 1996, and 1997. The awards consisted of 104 actions, totaling \$35 million, for the Washington Office; 3 actions, totaling \$1 million, for the Administration Program Center; and 183 actions, totaling \$16 million, for the National Capital Region.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the National Park Service's Washington area contracting offices awarded and administered contracts efficiently and effectively and in compliance with Federal, Department of the Interior, and Park Service regulations and procedures. The scope of the audit will include a review of contracting activities that occurred during fiscal years 1997 and 1998.



# **FACT SHEET**

## **BUREAU OF INDIAN AFFAIRS** **FINANCIAL STATEMENTS** **FOR FISCAL YEARS 1998 AND 1999**

### **TYPE OF AUDIT**

Financial (financial statements)

### **BACKGROUND**

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

The Bureau of Indian Affairs is responsible for managing and protecting natural resources on 56 million acres of Indian trust lands and for assisting tribes to serve over 1 million American Indians and Alaska Natives. It provides community services; operates schools or provides financial support to operate the schools; maintains law enforcement systems; provides social services; and assists in farming, ranching, forestry, and mining on reservations. These services are provided directly by the Bureau and through contracts with over 500 tribes.

The Bureau's appropriations provide the funding for operating the nontrust activities and the Bureau's costs for administering trust funds. The Bureau plans to contract with a public accounting firm to audit the trust fund monies, which consist of tribal trust fund monies and individual Indian monies.

### **AUDIT OBJECTIVE AND SCOPE**

The audit will not include the trust fund monies. The objective of the audit is to determine whether (1) the financial statements of the Bureau of Indian Affairs for fiscal years 1998 and 1999 that relate to nontrust activities were presented fairly and in accordance with applicable accounting standards; (2) internal controls were effectively implemented (that is, assurance

was provided that the Bureau complied with applicable laws and regulations; safeguarded funds, property, and other assets against waste, loss, unauthorized use, or misappropriation; and properly recorded and accounted for revenues and expenditures); (3) the Bureau complied with applicable laws and regulations as required by generally accepted government auditing standards; (4) the internal control evaluation process was in compliance with the Federal Managers' Financial Integrity Act and Office of Management and Budget guidelines and requirements; and (5) the financial information in the overview was documented, supported, and accurate.

# FACT SHEET

## SCHOOL COMPLIANCE WITH LOCAL FINANCIAL PLANS, BUREAU OF INDIAN AFFAIRS

### TYPE OF AUDIT

Financial (financial related)

### BACKGROUND

During school year 1997/1998, the Bureau of Indian Affairs provided funding to operate elementary and secondary education facilities that serve about 53,000 students as follows:

Facility Type	Bureau- Operated	Contracted or Grant Schools	Total
Day Schools	35	81	116
On-Reservation Boarding School	35	13	48
Off-Reservation Boarding School	4	3	7
Dormitories	5	9	14
Totals	79	106	185

Schools may be operated by the Bureau or by tribal organizations under contracts authorized by Public Law 93-638, the Indian Self-Determination and Education Assistance Act, and Public Law 100-297, the Education Amendments Act of 1978.

The Improving American Schools Act of 1994, Public Law 103-382, states:

[I]n the case of all Bureau schools, allotted funds shall be expended on the basis of local financial plans which shall be prepared by the local school supervisor in active consultation with the local school board for each school, and the local school board for each school shall have the authority to ratify, reject, or amend such financial plan, and expenditures thereunder, and, on its own determination or in response to the supervisor of the school, to revise such financial plan to meet needs not foreseen at the time of preparation of the financial plan.

Title XI of the Education Amendments of 1978, as amended by Public Law 103-382, states, "The Inspector General of the Department of the Interior shall establish a system to ensure that financial and compliance audits are conducted of each Bureau school at least once in every 3 years." According to Title XI, "[A]udits of a Bureau school shall be based upon the extent to which such school has complied with its local financial plan."

## **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether selected schools operated by the Bureau of Indian Affairs spent funds in accordance with local financial plans. The scope of the audit will include a review of the local financial plans and expenditures applicable to school year 1997/1998.

# **FACT SHEET**

## **ACCOUNTABILITY AND CONTROL OVER ARTWORK AND ARTIFACTS, CENTRAL OFFICE WEST AND ALBUQUERQUE AREA, BUREAU OF INDIAN AFFAIRS**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

The Bureau of Indian Affairs has approximately 2,700 identified pieces of artwork and artifacts located at its central and field offices. These items consist of paintings, pottery, sculptures, baskets, ceremonial drums, Indian blankets and rugs, ceremonial costumes, and wall hangings. The Bureau, for the most part, has received artwork and artifacts as gifts from individual tribal artists or craftsmen for the purpose of displaying them for all Department of the Interior employees and visitors.

The Bureau is also responsible for accounting for museum property, including prehistoric and historic objects, artifacts, works of art, and natural history specimens. Museum property is personal property and is required by regulation to be controlled and maintained within a formal system of accountability.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether controls were adequate to account for, protect, and preserve artwork and artifacts at selected Bureau of Indian Affairs offices. The audit will review controls at selected Bureau offices.

# **FACT SHEET**

## **FACILITIES CONSTRUCTION PROGRAM,** **BUREAU OF INDIAN AFFAIRS**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

The Bureau of Indian Affairs manages approximately 22 million square feet of space in more than 3,600 buildings (excluding quarters) in 26 states. Eighty-two percent of the Bureau's square footage is used for educational purposes. These educational facilities are old and often in poor condition. Educational facilities are generally built for functional uses for an average of only 25 years. However, 72 percent of the Bureau's educational facilities are more than 30 years old (2 percent are more than 100 years old, 20 percent are more than 50 years old, and 50 percent are more than 30 years old). The Bureau also manages over 3,500 housing units (quarters), consisting of approximately 6 million square feet of space. According to the Bureau, these quarters are generally in poor condition.

The Bureau's facilities construction program is responsible for managing a complex operation of new construction, repairs, improvements, and maintenance of its aging facilities. The Bureau's Facilities Management and Construction Center, in Albuquerque, New Mexico, is responsible for designing school facilities, ensuring that space guidelines are met in the construction of facilities, and awarding and administering construction contracts. The Bureau's Office of Indian Education Programs assists the Facilities Management and Construction Center in approving the size of the schools that are constructed. The Bureau's construction program consists of six subactivities: education construction, public safety and justice, resources management construction, general administration, tribal government construction, and emergency response. Each subactivity has a number of program elements. Only a portion of the funds appropriated for the construction program are expended on reducing the backlog of facilities' improvement and repair projects. For these activities, the appropriation request for fiscal year 1999 and the appropriations for fiscal years 1994 through 1998 are as follows:

Subactivity	Budget Fiscal Years (Dollars in millions)*					
	1999	1998	1997	1996	1995	1994
Education construction	\$87	\$54	\$31	\$43	\$47	\$98
Public safety and justice	6	15	4	6	9	14
Resources management construction	52	48	51	47	63	64
General administration	8	8	8	5	8	10
Tribal government construction	0	0	0	0	3	5
Emergency response	0	0	0	16	0	0
Total	\$153	\$125	\$94	\$117	\$130	\$191

\*Funds appropriated for the construction program remain available until expended.

In January 1998, the Bureau estimated that it had a facilities backlog of \$911 million to improve, repair, and/or replace existing facilities and quarters. This amount represents a 38 percent increase (\$251 million) over the \$660 million estimated for the fiscal year 1997 budget justification. Beginning with the fiscal year 1998 budget justification, the Bureau's facilities backlog is as follows:

Estimated Facilities Backlog Inventory as Presented in the Bureau's Budget Justification for Fiscal Years 1998 and 1999		
	1998	1999
Facilities:		
Educational	\$682,326,078	\$695,104,445
Non-Educational	120,963,183	125,198,943
Quarters:		
Educational	61,697,217	63,818,835
Non-Educational	25,009,503	26,984,155
Totals	\$889,995,981	\$911,106,378

Regarding existing educational facilities, the Bureau estimated that the backlog of educational facilities' improvement and repair projects totaled \$695 million as of January 1998. In comparison, the Bureau's 1999 budget request to reduce the backlog of education facilities improvement and repair projects was approximately \$46.2 million, or 6.6 percent of the backlog. The school facilities improvement and repair program involves an ongoing

effort to ensure that facilities are safe and sanitary, meet program requirements, and are handicapped accessible. At the direction of the U.S. Senate, the Bureau uses existing health and safety criteria as the bases for prioritizing needed school improvements and repairs. Potential projects are identified by facility users, area office facility staff, and the Facilities Management and Construction Center to ensure that projects meet the health and safety requirements and that as many deficiencies at an individual location are corrected as economically feasible. The Bureau received about \$32.2 million for the improvement and repair program for educational facilities (excluding quarters) for fiscal year 1998 and was authorized 29 full-time-equivalent positions. The Bureau received about \$74.6 million for cleaning, heating, and performing preventive maintenance on the schools and for the schools' daily operation and maintenance of Bureau, grant, and contract school facilities for fiscal year 1998. Schools may be operated by the Bureau or by tribal organizations under Public Law 93-638 contracts or Public Law 100-297 grants.

According to the Bureau's fiscal year 1998 budget justification, the Bureau was to develop the requirement for the initial and annual inventory validation activities the first half of fiscal year 1998. These requirements will be part of the Facilities Management Information System pilot test at an estimated 15 locations during the second half of fiscal year 1998. Validation of the data for the remaining 174 Bureau locations will be completed in fiscal year 1999.

## **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the Bureau of Indian Affairs facilities construction program was operated in an efficient and effective manner. The audit will review the status of the facilities backlog inventory, funds appropriated to reduce the backlog, and construction completed and in process as of the end of fiscal year 1998.



# **FACT SHEET**

## **SELECTED COMMERCIAL CONTRACT MANAGEMENT ACTIVITIES, ALBUQUERQUE COMMON SUPPORT CENTER, BUREAU OF INDIAN AFFAIRS**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

Contract management policies and procedures are presented in the Federal Acquisition Regulation, the Code of Federal Regulations, and the Department of the Interior acquisition regulation system. Contract management activities include negotiating prices, awarding contracts and modifications, monitoring contractor performance, closing out contracts, and approving payment of contract invoices.

In fiscal year 1997, the Bureau of Indian Affairs established the Albuquerque Common Support Center to consolidate commercial contracting activities at one location. The Bureau established September 1998 as the date for consolidating all commercial contracting activities at the Center.

In fiscal year 1997, the Bureau had obligations of \$124 million for construction activities, consisting of estimated obligations of \$65 million under Public Law 93-638 contracts, grants, and compacts and \$59 million under non-Public Law 93-638 related obligations.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the Bureau of Indian Affairs conducted its commercial contract management activities effectively and efficiently and in accordance with applicable Federal and Department of the Interior regulations. The audit will review selected commercial contract management activities of the Center that occurred since it was established in fiscal year 1997.

# **FACT SHEET**

## **OPERATION OF PROGRAMS UNDER PUBLIC LAW 93-638 CONTRACTS, BUREAU OF INDIAN AFFAIRS**

### **TYPE OF AUDIT**

Performance (program results)

### **BACKGROUND**

The Indian Self-Determination and Education Assistance Act of 1974 (Public Law 93-638, as amended) authorizes tribal governments and organizations to operate Federal programs under contract, grant, and compact agreements. Under these agreements, tribes deliver program services to their members and have the flexibility to redesign the programs formerly delivered by the Federal Government to meet the tribes' local needs and priorities. In fiscal year 1997, the Bureau of Indian Affairs obligated over \$1 billion to tribes and tribal organizations under self-determination contracts, grants, and compacts, which accounted for approximately 50 percent of all of the Bureau's obligations.

According to the Bureau, in 1997, 408 of the 554 Federally recognized tribes had contract or grant agreements, including contracts or grants for tribal organizations to operate 106 Indian elementary and secondary school facilities. The mechanism established by the Act to monitor Indian tribal systems, controls, and costs incurred under Federal funding agreements is the single audit report. Based on reviews of the single audit reports conducted by the Office of Inspector General and by the Office of Audit and Evaluation, Assistant Secretary for Indian Affairs, conditions have been identified, such as transfers of Federal funds to an entity's general fund and weak internal controls over the expenditure of Federal funds, that we believe should be examined by more detailed audits.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether selected tribal organizations that had contracts, compacts, and grants operated their programs in accordance with provisions of the agreements and whether costs charged to the agreements were eligible for reimbursement. The audit will review selected Self-Determination Act contract, grant, and compact agreements for fiscal years 1997 and 1998.

# **FACT SHEET**

## **NATIONAL INDIAN GAMING COMMISSION**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

The Indian Gaming Regulatory Act, Public Law 100-497, provides the regulatory framework for various forms of gambling on Indian tribal lands. The Act defines three classes of Indian gaming: (1) Class I gaming includes social or traditional gaming that is played in conjunction with tribal ceremonies or celebrations; (2) Class II gaming includes bingo and, if played at the same location, pull tabs, lotto, punch boards, tip jars, instant bingo, and card games (such as poker) not played against the house when permitted by state law; and (3) Class III gaming includes card games, table games (such as blackjack and craps), slot machines, electronic or electromechanical facsimiles of games of chance, and parimutuel wagering.

The Act also established the National Indian Gaming Commission as the Federal agency that has primary regulatory responsibility over Indian gaming operations. The primary role of the Commission is to issue regulations governing gaming activities, approve tribal ordinances for regulating Class II and Class III gaming, approve management contracts for Class II and Class III gaming, and monitor and regulate Class II gaming operations throughout the United States. The Commission is also responsible for investigating allegations of improper activities and for conducting background investigations of primary management officials and key employees. The Act required the Commission to establish a schedule of annual fees (to be updated annually), to be paid by each Class II gaming activity, as a means of funding Commission activities. The Act states that surplus funds in excess of Commission operating costs are to be credited on a pro rata basis to tribal gaming operations for the succeeding year's payment. From inception through fiscal year 1998, the Commission also received appropriations from the Congress for a portion of its operating expenses. For example, the Commission's budget justification for fiscal year 1998 estimated total spending authority of \$3.65 million, of which \$1 million was appropriated funds. Beginning in fiscal year 1999, the Commission will have \$8 million in permanent spending authority that will be funded entirely from offsetting collections of annual fees.

According to the Commission, approximately 183 Indian tribes are conducting 270 gaming operations in 28 states, which include Class II, Class III, and combined gaming facilities.

## **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the National Indian Gaming Commission conducted its regulatory and monitoring activities in accordance with legislative requirements. The scope of the audit will include a review of Commission activities that occurred during fiscal years 1997 and 1998.

# **FACT SHEET**

## **BUREAU OF LAND MANAGEMENT** **FINANCIAL STATEMENTS FOR** **FISCAL YEARS 1998 AND 1999**

### **TYPE OF AUDIT**

Financial (financial statements)

### **BACKGROUND**

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

The Bureau of Land Management was created in July 1946 through the consolidation of the General Land Office and the Grazing Service. The Bureau's mission is to manage over 260 million acres of public land and various related resources located in 28 states. The Bureau also administers mineral leasing and supervises mineral operations on an additional 300 million acres of Federal mineral estate underlying Federally administered state, Indian, or private land ownerships throughout the United States.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) the financial statements of the Bureau of Land Management for fiscal years 1998 and 1999 were presented fairly and in accordance with applicable accounting standards; (2) internal controls were effectively implemented (that is, assurance was provided that the Bureau complied with applicable laws and regulations; safeguarded funds, property, and other assets against waste, loss, unauthorized use, or misappropriation; and properly recorded and accounted for revenues and expenditures); (3) the Bureau complied with applicable laws and regulations as required by generally accepted government auditing standards; (4) the internal control evaluation process was in compliance with the Federal Managers' Financial Integrity Act and Office of Management and

Budget guidelines and requirements; and (5) the financial information in the overview was documented, supported, and accurate.

# **FACT SHEET**

## **MINING LAW ADMINISTRATION,** **BUREAU OF LAND MANAGEMENT**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

The Bureau of Land Management, as part of its Mining Law Administration, determines the validity of unpatented mining claims; prepares mineral patents for review; initiates mineral contest actions; prepares mineral potential reports for land and realty actions; enforces surface management and environmental requirements; enforces bonding requirements to ensure proper reclamation after a site has been mined; receives records of new mining claim locations; and collects location and annual maintenance fees, small miner waiver documents, and annual assessment filings.

Under provisions of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1744), the Bureau has recorded more than 2.7 million mining claims and milling sites since 1976. Further, the Bureau has estimated that 306,000 mining claims are actively maintained on public lands, and over 1 million unpatented claims are administered by the Bureau in 12 western states. The budget request for fiscal year 1998 for mining law administration (from fees) was for \$32.65 million and for 514 full-time-equivalent employees. This was an increase of \$350,000 and 7 full-time-equivalent employees from the 1997 level.

Beginning in fiscal year 1993, qualified claimants holding more than 10 claims were required to pay a \$100 annual fee per mining claim and site in lieu of performing \$100 of assessment work, as previously required under the General Mining Law of 1872. Claimants are required to pay the fee when recording a new claim and annually thereafter. The Act also requires a \$25 per claim "location" fee for new claims to be paid at the time of recordation. The 1999 budget proposes the permanent continuation of these fees beyond 1998 adjusted annually for inflation.

## **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) public lands subject to mining activity were managed by the Bureau of Land Management in accordance with the applicable laws, rules, and regulations and (2) fees and collections were made in accordance with applicable laws, rules, and regulations. The audit scope will include a review of mining claims in existence during fiscal years 1996 through 1998.



# **FACT SHEET**

## **HAZARDOUS MATERIALS MANAGEMENT,** **BUREAU OF LAND MANAGEMENT**

### **TYPE OF AUDIT**

Performance (program results)

### **BACKGROUND**

Numerous activities take place on public lands managed by the Bureau of Land Management that require the use of hazardous materials or that generate hazardous wastes. For example, oil and gas drilling operations, coal mining, and pesticide applications may contaminate water supplies or otherwise damage the environment and create a health risk to the public or to Bureau employees. Additionally, hundreds of landfills and dumps, some of which contain toxic wastes, are located on Bureau-managed public lands. Further, in some parts of the Nation, there is significant dumping of illegal trash and refuse and of industrial wastes and contaminants on public lands. In recent years, there has been an increased awareness of the adverse effects and overall degradation that hazardous materials can have on public lands. The Bureau's Hazardous Materials Management Program is the primary management tool used to address this area.

The Program consists of four specific components: preventing pollutants on managed lands; reducing unavoidable generated wastes; protecting the public, employees, and the natural resources from adverse effects of hazardous materials; and responding to, cleaning up, and restoring damaged natural resources.

The most expensive components are the cleanup and the restoration of damages resulting from hazardous materials contamination. For fiscal year 1998, the Bureau's Hazardous Materials Management budget was about \$15.3 million, and about 94 full-time staff were assigned to the Program.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the Bureau of Land Management satisfactorily implemented recommendations made in our 1992 and 1993 reports and was managing its Hazardous Materials Management Program effectively. Specifically, the audit will determine whether the Bureau identified potential hazardous waste sites; protected

public health and safety on Bureau-managed lands that may have contained hazardous materials; protected the natural resources on public lands from the effects of hazardous materials introduced on those lands; made efforts to minimize the liability and costs associated with hazardous materials on the public lands; made efforts to investigate, study, and/or clean up Bureau-managed sites that contained hazardous materials; and made efforts to provide required hazardous materials awareness and operational safety training to Bureau employees. The scope of the audit will be a review of Program activities that occurred during fiscal years 1997 through 1998. Some audit work may be required at other Departmental land managing agencies, since some Program initiatives are cooperative efforts among various agencies, and at the Department's Office of Environmental Policy and Compliance, which has responsibility for managing the environmental-related activities of the Department, including hazardous materials.

# **FACT SHEET**

## **PROPERTY AND EQUIPMENT,** **BUREAU OF LAND MANAGEMENT**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

The Bureau of Land Management's financial statements for fiscal year 1997 indicated that the Bureau had property and equipment valued at a net of \$227 million. This category of costs included acquired lands (\$10 million), structures (\$54 million), automated data processing software (\$1 million), equipment and vehicles (\$108 million), construction in progress (\$51 million), and property held pending disposition (\$3 million). The Bureau's property and equipment is controlled by its 12 state offices.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the Bureau of Land Management established adequate management controls to ensure that its property and equipment were safeguarded from waste, loss, theft, or misuse. The audit will include a review of the Bureau's property and equipment acquisitions as of September 30, 1998.

# **FACT SHEET**

## **FIRE PROTECTION AGREEMENTS WITH STATE AND LOCAL GOVERNMENTS, BUREAU OF LAND MANAGEMENT**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

The Bureau of Land Management is responsible for preventing and suppressing forest and range fires on or threatening the approximately 260 million acres of land under its jurisdiction. The Bureau's firefighting activities are decentralized and administered by the Bureau's state, district, and resource area offices. The Reciprocal Fire Protection Agreement Act of 1955 (42 U.S.C. 1856) authorizes the Bureau to enter into fire protection agreements with state and local entities to provide better fire protection. However, because the Bureau does not have cooperative agreements with all state and local governments, fire remains a major public safety emergency for which there is no universal response system.

As a result of a severe firefighting season in 1994, the Departments of the Interior and Agriculture, as well as several other smaller Federal agencies, jointly issued the Federal Wildland Fire Management Policy and Program Review Final Report in December 1995 and the Implementation Action Plan Report in May 1996. The reports identified the need for greater interagency cooperation by all the parties involved in firefighting efforts, particularly for fires occurring within wildland/urban interface areas, defined as those areas "where structures and other human development meet or intermingle with undeveloped wildlands." Federally managed lands are often located adjacent to or within these areas, and Federal firefighters are therefore frequently requested to assist local agencies. Before the Implementation Action Plan was issued, there was no clear, uniform, or consistent statement of the role of Federal agencies in fighting fires in these areas. Accordingly, the Implementation Action Plan Report identified as an action item the need to "ensure that all wildland/urban interface areas are covered by Fire Protection Agreements . . . [and to] renegotiate existing agreements as needed to reflect a Federal responsibility that is compatible with Federal policy and to ensure that State and local responsibilities are apportioned appropriately." The Bureau is tasked with implementing this action item.

## **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) Bureau of Land Management offices negotiated and/or renegotiated cooperative fire protection agreements with state and local agencies to ensure that all wildland/urban interface areas were covered by agreements and (2) the agreements consistently and equitably apportioned Federal, state, and local responsibilities. In addition, we will attempt to determine the number of fires and the costs of the Bureau and/or other Federal agencies for fighting fires on areas not covered by the agreements. The scope of our audit will cover Bureau actions taken from June 1996 through September 1998 to negotiate or modify fire protection agreements.

# **FACT SHEET**

## **MINERALS MANAGEMENT SERVICE** **FINANCIAL STATEMENTS** **FOR FISCAL YEARS 1998 AND 1999**

### **TYPE OF AUDIT**

Financial (financial statements)

### **BACKGROUND**

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

The mission of the Minerals Management Service consists of two major objectives: (1) responsibility for the timely and accurate collection, distribution, accounting for, and auditing of revenues owed by holders of Federal and Indian mineral leases and (2) responsibility for managing the leasing, development, and production of mineral resources on the Outer Continental Shelf in an environmentally sound and safe manner.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) the financial statements of the Minerals Management Service for fiscal years 1998 and 1999 were presented fairly and in accordance with applicable accounting standards; (2) internal controls were effectively implemented (that is, assurance was provided that the Service complied with applicable laws and regulations; safeguarded funds, property, and other assets against waste, loss, unauthorized use, or misappropriation; and properly recorded and accounted for revenues and expenditures); (3) the Service complied with applicable laws and regulations as required by generally accepted government auditing standards; (4) the internal control evaluation process was in compliance with the Federal Managers' Financial Integrity Act and Office of Management and

Budget guidelines and requirements; and (5) the financial information in the overview was documented, supported, and accurate.

# **FACT SHEET**

## **TRANSPORTATION AND PROCESSING ALLOWANCE DEDUCTIONS, MINERALS MANAGEMENT SERVICE**

### **TYPE OF AUDIT**

Performance (program results)

### **BACKGROUND**

The Code of Federal Regulations (30 CFR 206) allows royalty payors to deduct the costs of oil and gas transportation and gas processing from their royalty payments. In our August 1994 report "Transportation and Processing Allowance Deductions" (No. 94-I-1110), we found that the Minerals Management Service had not ensured that royalty payors were deducting the proper amount of transportation and processing allowances. Specifically, some allowance deductions exceeded the payors' reported costs or exceeded 100 percent of the royalty value. Also, we found that payors took other deductions which exceeded maximum allowable percentages without obtaining the Service's approval. These deficiencies occurred because the Service did not adequately monitor the allowance deduction process.

Since our 1994 audit, the Service has revised the regulatory requirements for allowance deductions. The prior and current regulations are as follows:

- For March 1988 through January 1996, royalty payors were required to submit an annual allowance report for Federal and Indian leases to the Service before the payors deducted an allowance from their royalty payments. Payors were also required to obtain approval from the Service before the payors deducted an allowance that exceeded regulatory limits. If the actual transportation or processing costs were later determined to be less than the amount originally reported, payors were required to submit revised allowance and royalty reports and to pay any additional royalties due.



- Beginning in February 1996, the requirement for payors to submit an annual allowance report for Federal leases was discontinued. However, payors had to submit reports for Indian leases, and the Service required payors to obtain approval for both Federal and Indian leases before the payors deducted an allowance that exceeded regulatory limits.

## **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the Minerals Management Service ensured that royalty payors deducted the appropriate amount of oil and gas transportation and gas processing allowances from royalties due on Federal and Indian leases. To accomplish our objective, we will determine whether the Service satisfactorily implemented the recommendations made in our August 1994 audit report and whether any new recommendations are warranted. In addition, we will determine whether the Service ensured that royalty payors complied with the regulatory changes applicable to allowances that became effective in February 1996. The scope will consist of a review of transportation and processing allowances that were deducted from royalty payments for a period to be determined during the audit survey. The audit will be conducted as part of the biennial review of the Royalty Management System as required by the Federal Oil and Gas Royalty Management Act of 1982.

# **FACT SHEET**

## **ROYALTY MANAGEMENT PROGRAM** **REENGINEERING INITIATIVE,** **MINERALS MANAGEMENT SERVICE**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

The Minerals Management Service is making changes in its operations because of the requirements of the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996. The Act requires the Service to make additional delegations of certain royalty functions to states, to use a 7-year statute of limitations for all royalty collections, to place limitations on industry liability, to create a 33-month limit on all administrative appeals, to establish provisions for payment of interest on overpayments, to establish cost-effective audit and collection activities, to encourage gas and oil production from marginal properties, and to streamline adjustment procedures.

In response to the Act, the Service has expanded its Compliance Reengineering Project to include all Royalty Management Program activities, with the objective of becoming more cost effective and responsive to its customers. The Service stated in its budget justification for fiscal year 1998 that it plans to identify core business processes, consult with other Federal agencies and states to determine "best practices" for Royalty Management Program operations, identify customer needs and expectations, redesign business practices to efficiently meet those needs, provide prototypes of new designs, and implement the redesign process.

According to the budget justification, the overall goal of the Project is to define and implement the most efficient and cost-effective strategy to improve the timeliness and accuracy of mineral lease revenue payments.

The Service has issued Royalty Policy Committee reports since 1996 that address royalty compliance simplification, royalty audits, appeals actions, and related matters. The Royalty Management Program preliminary design documents were completed in March 1998. The implementation plans are to be completed by November 1998. The Royalty Management Program's fiscal year 1998 budget of about \$66.1 million provides for about 653 Federal employees and about 250 contract support personnel.

## **AUDIT OBJECTIVE AND SCOPE**

The objective of this audit is to determine whether the Minerals Management Service, through its reengineering efforts, will have more cost-effective operations and become more responsive to its customers. Specifically, the audit will evaluate the primary results of the reengineering initiative by focusing on the appropriateness of process changes, the savings to be achieved, the adequacy of internal controls, and the feasibility of implementation plans. The audit scope will include a review of the results of reengineering initiatives that occurred from fiscal years 1996 to 1998.

# **FACT SHEET**

## **REVIEW OF GENERAL AND APPLICATION CONTROLS OVER THE TECHNICAL INFORMATION MANAGEMENT SYSTEM, OFFSHORE MINERALS MANAGEMENT PROGRAM, MINERALS MANAGEMENT SERVICE**

### **TYPE OF AUDIT**

Performance (program results and economy and efficiency)

### **BACKGROUND**

The mission of the Minerals Management Service's Offshore Minerals Management Program is to administer the Outer Continental Shelf leasing program and to oversee safe and environmentally sound exploration and production of offshore natural gas, oil, and other mineral resources. In support of this mission, the Technical Information Management System (TIMS) was developed and implemented.

TIMS provides the Offshore Minerals Management Program with up-to-date automated tools to issue leases, to administer leasing of the Outer Continental Shelf minerals in an environmentally sound manner, and to ensure proper monetary return to the U.S. Government for leased resources. In addition, a comprehensive database was developed that includes data used for environmental analyses, resource and tract evaluations, operational trend analyses, oil spill risks, safety inspections, managing oil pipelines, and drilling hazard reviews. Thus, TIMS provides technical tools, standards, interfaces, and shared data that should enhance cost efficiency and management effectiveness of the Offshore Minerals Management Program and the Royalty Management Program. TIMS is supposed to provide timely, current, and technically correct information and to facilitate the receipt of almost \$3.5 billion of revenues from leasing Federal offshore lands. Also, the TIMS project included replacing and modernizing the hardware and software of the Offshore Minerals Management Program.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the Offshore Minerals Management Program had effective general and application controls over the Technical Information Management System and whether the System was in compliance with the Federal Financial Management Improvement Act. The audit will support Office of Inspector General audits of the Minerals Management Service's annual financial statements. In addition, we will

determine whether the system is Year 2000 (Y2K) compliant, as reported by the Department of the Interior to the Office of Management and Budget and the Congress.

# **FACT SHEET**

## **OIL SPILL RESPONSE RESEARCH PROGRAM,** **MINERALS MANAGEMENT SERVICE**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

The Minerals Management Service is the principal Federal agency that sponsors research in offshore oil spills and related response techniques. The Oil Spill Response Research Program began in the late 1970s under the Conservation Division of the U.S. Geological Survey. The Service assumed control of the Program when the Service was created in 1982. The Service coordinates its research activities with universities, private industry, state governments, government laboratories, and foreign countries. The objectives of the research are to increase the understanding of the effect of oil spills on the marine environment and to promote effective oil spill response and cleanup procedures.

The Program is funded through a separate appropriation from the Service's principal functions of royalty management and offshore mineral lease management. For fiscal year 1998, the Program had a budget of about \$6.1 million and had 26 full-time-equivalent Federal employees. The Program's Headquarters offices are located in Washington, D.C., and Herndon, Virginia, and an oil spill testing facility is located in Leonardo, New Jersey. Program activities are governed by the Oil Pollution Act of 1990, and funding is provided by the Oil Spill Liability Trust Fund, which is administered by the Department of Transportation.

The Service has contracted some of the oil spill research-related projects to various contractors. The Service's projects currently include research on absorbents, behavior of oil, oil booms, dispersants, and the mechanical containment of oil.

## **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the Minerals Management Service has been operating the Oil Spill Response Research Program in an economical and efficient manner and in compliance with applicable laws and regulations and Service policies and procedures. The audit scope will include a review of the Program's activities that occurred during fiscal years 1997 and 1998.

# **FACT SHEET**

## **OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT FINANCIAL STATEMENTS FOR FISCAL YEARS 1998 AND 1999**

### **TYPE OF AUDIT**

Financial (financial statements)

### **BACKGROUND**

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

The Office of Surface Mining Reclamation and Enforcement was established on August 3, 1977, and has two major functions: (1) regulating current surface coal mining operations to ensure protection of the environment during mining and reclamation of the land after the coal is extracted and (2) repairing lands affected by past coal mining operations that were unreclaimed and abandoned before the 1977 surface mining law was enacted. States are essentially responsible for regulating surface mining. The Office of Surface Mining reviews and approves the states' regulatory programs and provides technical assistance to help the states perform their responsibilities under the surface mining law.

The Office of Surface Mining collects reclamation fees from current mining operations for the repair of abandoned mine sites. Under the surface mining law, the reclamation funds are allocated to (1) states that have approved regulation programs (50 percent of the funds); (2) the Rural Abandoned Mine Program (\$12 million annually); (3) the Small Operator Assistance Program (amount varies annually); and (4) the Office of Surface Mining (the remainder) to respond to environmental emergencies caused by abandoned mines.



## **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) the financial statements of the Office of Surface Mining Reclamation and Enforcement for fiscal years 1998 and 1999 were presented fairly and in accordance with applicable accounting standards; (2) internal controls were effectively implemented (that is, assurance was provided that the Office of Surface Mining complied with applicable laws and regulations; safeguarded funds, property, and other assets against waste, loss, unauthorized use, or misappropriation; and properly recorded and accounted for revenues and expenditures); (3) the Office of Surface Mining complied with applicable laws and regulations as required by generally accepted government auditing standards; (4) the internal control evaluation process was in compliance with the Federal Managers' Financial Integrity Act and Office of Management and Budget guidelines and requirements; and (5) the information in the overview was documented, supported, and accurate.

# **FACT SHEET**

## **ADMINISTRATION OF STATE REGULATORY GRANT PROGRAMS, OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT**

### **TYPE OF AUDIT**

Performance (program results )

### **BACKGROUND**

Under the Surface Mining Control and Reclamation Act of 1977, 24 states have programs approved by the Secretary of the Interior to regulate coal mining activities. The state programs are funded through grants issued by the Office of Surface Mining Reclamation and Enforcement and include the review and issuance of mining permits, inspection and enforcement, designation of lands unsuitable for mining, administration of bonding and bond release programs that ensure proper reclamation of land after mining, and administration of small operator assistance programs. In addition, some states that are authorized to perform the regulatory functions on Federal lands within state boundaries also receive funding through cooperative agreements with the Office of Surface Mining.

In its fiscal year 1998 budget justification, the Office of Surface Mining requested \$50.2 million for regulatory program grants to 24 states that have approved permanent regulatory programs (primacy) and reported that it provided grant funding of \$50.7 million to its primacy states with regulatory programs in fiscal year 1997. According to the Act, grants to states currently cannot exceed 50 percent of total annual state costs.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the Office of Surface Mining Reclamation and Enforcement administered the state regulatory grant programs efficiently and effectively and in accordance with applicable regulations and whether the state regulatory programs were being operated efficiently and effectively and in accordance with grant agreements. The audit was requested by Office of Surface Mining officials. The scope of the audit will include a review of program and financial activities that occurred from fiscal years 1996 through 1998.

# **FACT SHEET**

## **GENERAL AND APPLICATION CONTROLS OVER AUTOMATED INFORMATION SYSTEMS, OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

The Office of Surface Mining Reclamation and Enforcement is very dependent on automated information systems to support its mission and its annual financial statements. These systems are complex and interface with each other. The primary financial system is the Advanced Budget Accounting Control and Information System (ABACIS) and includes the following specialized subsystems: Grants Information Financial Tracking System (GIFTS), which tracks approximately \$50 million of grants provided annually to states for regulating coal mining activities and approximately \$142 million of grants provided annually to states and Indian tribes for reclaiming abandoned mines; Draw Down Express System (DDX), which is used by the states and tribes to draw down the grant funds; Budget Module, which tracks the Office of Surface Mining's budget execution; Investment Module, which tracks and manages \$1.5 billion of investments and approximately \$77 million of interest annually; and Labor Cost Interface From the Department's Federal Personnel Payroll System, which charges Office of Surface Mining programs with personnel costs. Other systems that either directly or indirectly interface with ABACIS are the Synergic Acquisition Tracking and Information Network (SATIN), a procurement and property system, and three fee and accounts receivable systems (the Civil Penalty Accounting and Information Database [CPACS], which maintains accounts receivable of approximately \$20 million; the Fee Billing and Collection System [FEEBACS], which maintains fees of approximately \$274 million and accounts receivable of \$12 million; and the Audit Fee Billing and Collection System [AFBACS], which maintains approximately \$11 million of accounts receivable).

## **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is determine whether the Office of Surface Mining Reclamation and Enforcement had effective general and application controls over automated information systems and whether the automated information systems were in compliance with the Federal Financial Management Improvement Act. The audit will support our audit of the Office of Surface Mining's annual financial statements for fiscal year 1999.

# **FACT SHEET**

## **BUREAU OF RECLAMATION** **FINANCIAL STATEMENTS** **FOR FISCAL YEARS 1998 AND 1999**

### **TYPE OF AUDIT**

Financial (financial statements)

### **BACKGROUND**

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

The Reclamation Act of 1902 (43 U.S.C. 391 et. seq.) authorized the Secretary of the Interior to locate, construct, operate, and maintain works for water storage, diversion, and development in the 17 western states. Between 1988 and 1994, the Bureau underwent a major reorganization as construction on projects authorized in the 1960s and earlier was completed. Emphasis in reclamation programs shifted from construction to operation and maintenance of existing facilities. The Bureau's official mission is to manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public. The Bureau of Reclamation is composed of five regional offices and the Commissioner's offices in Washington, D.C., and Denver, Colorado.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) the financial statements of the Bureau of Reclamation for fiscal years 1998 and 1999 were presented fairly and in accordance with applicable accounting standards; (2) internal controls were effectively implemented (that is, assurance was provided that the Bureau complied with applicable laws and regulations; safeguarded funds, property, and other assets against waste, loss, unauthorized use, or misappropriation; and properly recorded and accounted for revenues and expenditures); (3) the Bureau complied with applicable laws and regulations as required by generally

accepted government auditing standards; (4) the internal control evaluation process was in compliance with the Federal Managers' Financial Integrity Act and Office of Management and Budget guidelines and requirements; and (5) the financial information in the overview was documented, supported, and accurate.

# **FACT SHEET**

## **FOLLOWUP OF** **REPAYMENT OF MUNICIPAL AND INDUSTRIAL** **WATER SUPPLY COSTS,** **BUREAU OF RECLAMATION**

### **TYPE OF AUDIT**

Followup (financial related)

### **BACKGROUND**

The Bureau of Reclamation constructs multipurpose projects that provide, in part, water for irrigation and municipal and industrial purposes. The initial construction of and capital improvements to existing Bureau projects are financed primarily with funds appropriated by the Congress. In accordance with Reclamation law, water users enter into contracts and agreements with the Bureau to repay their share of the Government's investment in those projects. These contracts and agreements include terms that establish repayment obligations, repayment periods, interest rates, and water rates. For the period from project construction through repayment, the Government computes, and is supposed to recover from project water users, interest on its investment in facilities serving municipal and industrial water supply purposes at rates established by Reclamation law. However, according to Reclamation law, the costs assigned to the irrigation purpose are reimbursable without interest. According to the Bureau's financial reports, as of September 30, 1997, total reimbursable irrigation and municipal and industrial investments for 133 multipurpose projects were over \$10 billion.

Because of population growth in the western United States, the demand for municipal and industrial water has increased significantly, with deliveries doubling since 1965. According to Department of the Interior and Bureau forecasts, the demand for municipal and industrial water will continue to increase in the future. As such, projects originally constructed by the Bureau to provide water to irrigate the arid lands of western states will be required to provide more water for municipal and industrial purposes.

In the August 1992 Office of Inspector General audit report "Repayment of Municipal and Industrial Water Supply Investment Costs, Bureau of Reclamation" (No. 92-I-1128), we found that the Bureau did not fully recover the costs incurred by the Government to finance the construction of water supply facilities that were originally built for irrigation purposes but that were subsequently converted to municipal and industrial usage. As a result, we

recommended that the Bureau (1) establish internal controls requiring periodic reviews of annual project water use to ensure that the quantity delivered conforms to that specified in the contracts; (2) revise Bureau guidelines to provide for the Government to recover an equitable share of its financing costs incurred from the date of project completion through the date the water use changed from irrigation purposes to municipal and industrial purposes; and (3) compute and recover the Government's financing costs on the 11 projects included in our review and on any other projects where changes in water use have occurred, as identified through implementation of the first recommendation. In response to the report's recommendations, the Bureau stated that it would develop Reclamation Instructions that require periodic reviews to ensure that the quantities of water delivered conformed to contractual terms, revise its guidelines to ensure that an equitable share of the financing costs was recovered, and apply the revised guidelines to the projects identified in the report and other projects where changes in use had occurred.

## **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the Bureau of Reclamation satisfactorily implemented the recommendations made in the August 1992 report and whether any new recommendations are warranted. The audit will include a review of selected projects from the 133 multipurpose projects that have provided water for irrigation and municipal and industrial use as of September 30, 1997.



# **FACT SHEET**

## **BILLING AND COLLECTION PROCEDURES FOR RECOVERING REIMBURSABLE COSTS OF WATER PROJECTS, BUREAU OF RECLAMATION**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

The Bureau of Reclamation constructs multipurpose projects that provide, in part, water for irrigation and municipal and industrial purposes. The amount of repayment of construction costs is determined by an allocation of the costs to the various purposes based on the relative benefits to be received from each purpose. According to Reclamation law, the costs assigned to the irrigation purpose are reimbursable and are repaid interest free, while the costs assigned to the municipal and industrial purpose are reimbursable with interest. According to the Bureau's financial reports, the total reimbursable irrigation and municipal and industrial investments as of September 30, 1997, for 133 projects totaled over \$10 billion. Reclamation law and policy provide the basis for the repayment of the reimbursable costs through either a repayment contract or a water service contract. The contract period averages approximately 40 to 50 years.

The Bureau also operates and maintains projects to ensure their operational readiness, operational and structural integrity, safety, and productivity. Operation and maintenance expenses are paid from sources such as Congressional appropriations and advances from states and water users. The Bureau determines the amount of operation and maintenance expenses that is reimbursable by allocating project expenses to the various project purposes. In accordance with Reclamation law, water users enter into contracts and agreements with the Bureau to repay their share of the Government's investment and operation and maintenance costs of those projects. The contracts and agreements include terms that establish repayment obligations, repayment periods (typically 40 years, but specific project legislation has authorized repayment periods up to 50 years), interest rates, and water rates. As of September 30, 1997, the Bureau had \$15.8 billion invested in completed projects and \$4.5 billion in construction in progress, totaling \$20.3 billion of infrastructure, of which almost 90 percent is to be paid by project beneficiaries. Budget authority for operation and maintenance has totaled about \$275 million annually.

## **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the Bureau of Reclamation's billing and collection procedures for recovering reimbursable costs for Bureau projects were effective and in accordance with applicable laws, regulations, and contract terms. Our review will include a statistical sample of those Bureau projects that had outstanding repayment obligations as of September 30, 1998.

# **FACT SHEET**

## **RENEWAL OF CENTRAL VALLEY PROJECT LONG-TERM WATER SERVICE CONTRACTS, BUREAU OF RECLAMATION**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

The Central Valley Project in California was authorized in 1935 and is the Bureau of Reclamation's largest multipurpose water project. It is an integrated network that includes 20 reservoirs, with a combined storage capacity of about 12 million acre-feet of water; 8 power plants; 2 pumping-generating plants, with a maximum capacity of about 2 million kilowatts; and over 500 miles of major distribution canals. The Project was designed and has been operated primarily to provide flood control, water for irrigation and municipal and industrial use, and power generation.

The Project provides water through 258 water service contracts for irrigation of about 3 million acres of farmland, as well as water to more than 2 million urban residents and to Federal, state, and private wildlife refuges. Water service contracts establish the amount of water that is to be made available and delivered to contractors and the rates the contractors pay for each acre-foot of water. The contracts set forth rates for repayment of the Federal investment in the Project, prior years' operating deficits, operation and maintenance of facilities, irrigation and municipal and industrial water use, and mitigation and restoration assessments.

Section 3404C of the Central Valley Project Improvement Act (Title 34 of Public Law 102-575) provides that Project long-term water service contracts existing on October 30, 1992, will be renewed upon request for a period of 25 years once an environmental impact statement has been completed. Section 3409 of the Act required the Secretary of the Interior to prepare and complete, by October 30, 1995, a programmatic environmental impact statement, pursuant to the National Environmental Policy Act, to analyze the direct and indirect impacts and benefits of implementing the Act, including all fish, wildlife, and habitat restoration actions and the potential renewal of all existing Project water contracts. The draft environmental impact statement was issued on November 7, 1998.

Water service contracts that expired before the required environmental impact statement was completed could have been renewed for an interim period not to exceed 3 years and for successive periods of not more than 2 years. Because the statement has been completed, interim contracts are eligible for long-term renewal for successive 25-year periods. To encourage early renewal of existing contracts, the Secretary is directed, under Section 3404(c)(3) of the Act, to impose an additional mitigation and restoration payment of 1 1/2 times the annual mitigation and restoration payment on contractors that did not renew contracts by October 1, 1995, or January 1 of the year following the year in which the environmental impact statement is completed.

The Bureau has developed an action plan entitled "Environmental Compliance for Renewal of Long-Term Water Service Contracts in the Central Valley Project," which includes a basic contract model to address individual contractor requirements. From December 1994 to March 1996, the Bureau executed 54 interim contracts. These 54 contracts and an additional 157 long-term water service contracts are eligible for renewal within the next 5 years.

## **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the Bureau of Reclamation's policy for the renewal of long-term water service contracts was in compliance with the Central Valley Project Improvement Act and protected the Government's financial interests in the Project. The audit will include an evaluation of the Bureau's interim, short-term contract renewal process. The scope of the review will include Bureau policies and procedures that were in effect after the Act was passed.

# **FACT SHEET**

## **GENERAL PROPERTY, PLANT, AND EQUIPMENT,** **BUREAU OF RECLAMATION**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

The facilities on Bureau of Reclamation projects include 348 reservoirs, 58 hydroelectric powerplants, and more than 300 recreation areas. The property within these facilities is categorized as either movable or real. Each region and, more specifically, each project may have its own property, plant, and equipment information resource. The facilities consist of houses, buildings, garages, and shops owned by the Bureau and used in electric, irrigation, municipal and industrial, or multipurpose operations and are not included in the plant accounts of a specific project. Plant facilities are stated at acquisition cost, which includes direct labor; materials; payments to contractors; land purchases; and indirect charges for engineering, supervision, and overhead. Plant investment refers to investments in assets such as dams, canals, and hydroelectric-generating facilities.

The Bureau's financial statements for fiscal year 1997 indicated that the Bureau had general property, plant, and equipment valued at a net of \$13.1 billion, with an accumulative depreciation of \$7.2 billion. This category of costs include structures (\$8.5 billion); equipment (\$71 million); construction in progress (\$4.5 billion); and other assets, including the Central Arizona Project (\$285.3 million). For fiscal year 1997, the Bureau's property, plant, and equipment represented approximately 78 percent of the Department of the Interior's net property, plant, and equipment. The information in Table 1 on the Bureau's property, plant, and equipment was current as of May 30, 1998.

**Table 1. Property, Plant, and Equipment by Region**

<b>REGION</b>	<b>Construction in Progress</b>	<b>Structures</b>	<b>Equipment</b>	<b>TOTAL PP&amp;E*</b>
1 - Pacific Northwest, Boise, ID	\$ .3 billion	\$2.6 billion	\$.02 billion	\$2.92 billion
2 - Mid-Pacific, Sacramento, CA	\$ .6 billion	\$3.1 billion	\$.02 billion	\$3.72 billion
3 - Lower Colorado, Boulder City, NV	\$2.5 billion	\$2.9 billion	\$.3 billion	\$5.7 billion
4 - Upper Colorado, Salt Lake City, UT	\$ .6 billion	\$3.7 billion	\$.02 billion	\$4.32 billion
6 - Great Plains, Billings, MT	\$ .8 billion	\$2.7 billion	\$.01 billion	\$3.51 billion
7 - Administrative Service Center, Denver, CA	\$0	\$0	\$.01 billion	\$.01 billion
8 - Reclamation Service Center, Lakewood, CO	\$0	\$0	\$.09 billion	\$.09 billion
Total	\$4.8 billion	\$15 billion	\$.47 billion	\$20.27 billion

\* Property, plant, and equipment.

The criteria for the audit are the Departmental Manual and the Plant, Property and Equipment Section of the Bureau of Reclamation manual.

## **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the Bureau of Reclamation established adequate management controls to ensure that its property, plant, and equipment were safeguarded against waste, loss, theft, or misuse. Our audit will include a review of property, plant, and equipment costs in effect as of September, 30, 1998.

# **FACT SHEET**

## **U.S. GEOLOGICAL SURVEY** **FINANCIAL STATEMENTS** **FOR FISCAL YEARS 1998 AND 1999**

### **TYPE OF AUDIT**

Financial (financial statements)

### **BACKGROUND**

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

The U.S. Geological Survey publishes and disseminates scientific data and maps concerning water, land, and mineral resources. Its major mission is to undertake research, fact finding, and mapping aimed at enlarging the Nation's knowledge about the extent, distribution, and character of development and use of land, water, and the physical environment.

In fiscal year 1996, the National Biological Service's appropriation was transferred to the Geological Survey, and during fiscal year 1997, the National Biological Service's accounting operations were incorporated into the Geological Survey's accounting system. In addition, during fiscal year 1996, certain operations of the former U.S. Bureau of Mines were transferred to the Geological Survey.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) the financial statements of the U.S. Geological Survey for fiscal years 1998 and 1999 were presented fairly and in accordance with applicable accounting standards; (2) internal controls were effectively implemented (that is, assurance was provided that the Geological Survey complied with applicable laws and regulations; safeguarded funds, property, and other assets against waste, loss, unauthorized

use, or misappropriation; and properly recorded and accounted for revenues and expenditures); (3) the Geological Survey complied with applicable laws and regulations as required by generally accepted government auditing standards; (4) the internal control evaluation process was in compliance with the Federal Managers' Financial Integrity Act and Office of Management and Budget guidelines and requirements; and (5) the financial information in the overview was documented, supported, and accurate.



# **FACT SHEET**

## **WORKING CAPITAL FUND,** **U.S. GEOLOGICAL SURVEY**

### **TYPE OF AUDIT**

Financial (financial related)

### **BACKGROUND**

The U.S. Geological Survey's Working Capital Fund was established under Title 43, Section 50(a), of the United States Code, creating the Telecommunications Amortization Fund, which was merged into the U.S. Geological Survey's Working Capital Fund. The purpose of the Working Capital Fund is to provide "materials, supplies, equipment, work and services in support of Geological Survey programs, and, as authorized by law, to agencies of the Federal Government and others." In its budget justification for fiscal year 1998, the Geological Survey included the following items in the Fund: the Washington Administrative Service Center, mainframe and automated processing computer equipment, telecommunications equipment, facilities, the National Water Quality Laboratory, and "equipment investment."

The Fund provides support services to beneficiaries on a cost-reimbursable basis. The Fund incurred \$48.7 million in expenses and collected \$49 million in revenue in fiscal year 1997.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the U.S. Geological Survey properly accounted for and billed Fund expenses. Specifically, we will determine whether (1) customer accounts were correctly charged for Fund costs, (2) billing rates were supported by reasonable allocation methods and budgets, (3) bills were accurate, (4) Fund profits were used to reduce the following year's base for calculating billing rates, and (5) Fund expenses were limited to costs related to Fund activities. The scope of the audit will include a review of Fund activities that occurred during fiscal years 1997 and 1998.

# **FACT SHEET**

## **GUAM ECONOMIC DEVELOPMENT AUTHORITY,** **GOVERNMENT OF GUAM**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

The Guam Economic Development Authority was created as a public corporation in 1965 through Title 12, Chapter 2, Section 2101, of the Guam Code Annotated to promote the economic development of Guam. As such, the Development Authority is authorized to provide loans, issue revenue bonds, purchase mortgages, and recommend to the Governor of Guam businesses qualifying for tax rebates and abatements. The Development Authority uses various trust funds to accomplish some of its programs. Two significant programs used to stimulate the local economy have been the Qualifying Certificates Program and the Guam Economic Development Fund. The Qualifying Certificates Program was started in 1965 to grant tax benefits to eligible businesses through the rebate of income taxes and the abatement of property taxes. The Economic Development Fund was established, initially with \$6.2 million of Federal funds, as a revolving loan fund for business development. As of September 30, 1995, the Development Fund had total assets of \$13.3 million and liabilities of \$159,000. The assets include \$4 million in net loans, with a \$2.5 million allowance for doubtful accounts, plus \$8.7 million of investments. During the same period, the Fund received about \$2 million in revenues and, after operating expenses, had a net income of \$1.5 million. In addition, in 1985, the Development Authority issued housing bonds of \$300 million, which were the subject of a 52-count Federal indictment against the bond underwriter.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the Guam Economic Development Authority (1) effectively issued bonds and administered the Qualifying Certificates Program and the Economic Development Fund and (2) achieved the objectives for which the programs were established. The scope of the audit will include a review of bonds issued, tax rebates and abatements awarded, and loans issued during fiscal years 1996 through 1998 as appropriate.

# **FACT SHEET**

## **GUAM U.S. PASSPORT OFFICE,** **GOVERNMENT OF GUAM**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

The Governor's Office is designated by the U.S. State Department to assist in processing passports for U.S. citizens on Guam. As such, the Office accepts application and renewal forms for U.S. passports; reviews them to ensure that they are completed correctly and have the required supporting documents; and then forwards them to Honolulu, Hawaii, for final processing by the Honolulu Passport Agency, U.S. State Department. This review process reduces the overall processing time by identifying procedural problems before the form is sent off-island. In performing this review process, the Guam U.S. Passport Office has a policy of requiring cash for the application fee (\$55) and for the postage (\$1). Checks are accepted; however, the forms will not be forwarded until the check clears the bank. In contrast, applicants for a passport can mail their application and their personal check directly to the U.S. State Department passport processing center in Honolulu. During fiscal year 1996, the Guam U.S. Passport Office collected \$669,000 in cash for processing passports (\$647,000 for passport fees and \$22,000 for mailing fees). The passport fees collected are deposited into Guam's General Fund. Section 30 of the Revised Organic Act of Guam (48 U.S.C.A. 1421 et seq.) is Guam's authority to retain the passport fees.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the survey is to determine whether the internal controls of the Guam U.S. Passport Office over the cash collected for fees were adequate. The scope of the survey will include a review of the amounts collected for application fees and postage during fiscal years 1997 and 1998 and other periods as appropriate.

# **FACT SHEET**

## **FOLLOWUP OF RECOMMENDATIONS CONCERNING** **THE HAWAIIAN HOMES COMMISSION,** **GOVERNMENT OF GUAM**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

On July 9, 1921, the U.S. Congress enacted the Hawaiian Homes Commission Act of 1920 to rehabilitate native Hawaiians on lands given the status of Hawaiian home lands under Section 204 of the Act. The Act was administered by the Hawaii territorial government until the Hawaiian Islands became a state in 1959. At that time, the State of Hawaii assumed responsibility for the administration of the Home Lands Program through the Department of Hawaiian Home Lands, which was headed by the Hawaiian Homes Commission, a policy-making board.

In March 1992, the Office of Inspector General issued the audit report "Hawaiian Homes Commission, Office of the Secretary" (No. 92-I-641), which stated that the Hawaiian Homes Commission Act had not been successfully implemented. The report further stated that 70 years after enactment of the Act, only 16 percent of the available lands had been awarded to native Hawaiians for homesteading, home lands have been made available for public use by Federal and State of Hawaii government agencies in violation of the Act, and many native Hawaiians have waited as long as 30 years and some have died while awaiting homestead awards. The report concluded that both Federal and State governments contributed over the years to the deficient condition of the Home Lands Program by not acting in the best interests of native Hawaiians when administering the Program and through insufficient funding, inadequate planning and management, and inaction. Further, recommendations made in the 1983 Federal-State Task Force report to address and correct Program deficiencies and to accelerate the award of homesteads to native Hawaiians either had not been uniformly implemented or had not been fully effective. As a result, native Hawaiians continued to be denied basic benefits intended under the Act, and the overall goal of returning native Hawaiians to their lands was not achieved.

The audit further disclosed that the Hawaiian Homes Commission had embarked on a highly speculative, \$2.45 billion, 10-year plan to construct 14,000 turn-key housing units, primarily in master-planned communities that would include single family dwellings, multifamily units,

elderly housing, and rental units. The 10-year plan was undertaken because the Hawaiian Homes Commission had made little progress in its traditional approach to preparing and awarding homestead lots and providing financial assistance to the beneficiaries. However, the turn-key housing plan was not supported by identified Program needs or based on financial feasibility, and the plan imposed additional qualifying criteria on beneficiaries for receiving homestead awards. Specifically, the plan would eliminate from the Program native Hawaiians who may not qualify financially for mortgage loans and would require families to relocate to less populated and less economically developed islands to receive their leases.

To correct the deficiencies, we made eight recommendations to the Secretary of the Interior, the Governor of the State of Hawaii, and the Hawaiian Homes Commission. All of the recommendations were resolved and implemented.

## **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) the Department of the Interior, the State of Hawaii, and the Hawaiian Homes Commission satisfactorily implemented the recommendations contained in our 1992 report and (2) any new recommendations are warranted. The scope of the audit will include a review of the operations of the Commission and the Department of the Interior's oversight of the Program that occurred during fiscal years 1997 and 1998 and other periods as appropriate.

# **FACT SHEET**

## **RURAL ECONOMIC AND COMMUNITY DEVELOPMENT SERVICES, U.S. DEPARTMENT OF AGRICULTURE, POHNPEI AREA OFFICE, FEDERATED STATES OF MICRONESIA**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

U.S. Public Law 99-239, the Compact of Free Association of 1985 between the Government of the United States and the Government of the Federated States of Micronesia, was approved on January 14, 1986. As provided by the Compact, the United States and the Federated States agreed, through Section 105(h)(1)(C), to extend the Rural Economic and Community Development Services (formerly the Farmers Home Administration), an agency of the U.S. Department of Agriculture, to each of the four states in the Federated States. The four area offices are operated by the U.S. Department of Agriculture and are managed by a District Director located on Guam, who reports to the State Director in Hilo, Hawaii.

The Pohnpei Area Office administers three housing repair loan programs as authorized by Section 504 of the U.S. Housing Act. In 1997, the Area Office had four locally hired Federal employees, two employees paid by the national government, and seven employees paid by the Pohnpei State Government. The national and state governments combined provide about \$100,000 per year, primarily for salaries, for operation of the Area Office. Of the four area offices, the Pohnpei Area Office administers the largest number of loans, about 2,200 loans, with a total loan balance of about \$5 million. The three loan programs are (1) an unsecured housing repair loan of up to \$2,500, (2) a secured housing repair loan of up to \$7,500 if the homeowner does not have clear title and cannot obtain fire insurance, and (3) a secured housing repair loan of up to \$15,000 if the homeowner has clear title and can obtain fire insurance. Although other loan and grant programs may become available to Pohnpei residents, the Area Office has not offered these programs.

## **AUDIT OBJECTIVE AND SCOPE**

The objective of the survey is to determine whether the Pohnpei Area Office complied with U.S. Department of Agriculture loan and loan administration procedures. The scope of the survey will include a review of Area Office operations and all loans issued and administered during fiscal years 1997 and 1998 and other periods as appropriate.

# **FACT SHEET**

## **MARSHALL ISLANDS DEVELOPMENT BANK,** **REPUBLIC OF THE MARSHALL ISLANDS**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

The Republic of the Marshall Islands established the Development Bank in March 1978. The purpose of the Development Bank is to (1) provide financial assistance to businesses by making loans, guaranteeing loans, and making equity investments in enterprises; (2) provide nonfinancial assistance by identifying investment opportunities, undertaking feasibility studies, and promoting the formation of new enterprises and expanding existing enterprises to enlarge the economic base of the country; (3) manage or participate in the management, supervision, or conduct of business enterprises; and (4) participate in the programs and services of the U.S. Government, such as the Rural Economic and Community Development Services (formerly the Farmers Home Administration) of the U.S. Department of Agriculture.

The Development Bank is funded through contributions from the Marshall Islands government and through administration of Compact funds (Sections 111 and 211). In fiscal year 1989, the Development Bank received Compact contributions of \$4 million. Additionally, in fiscal year 1989, the Marshall Islands government transferred more than \$6.1 million from the Compact Investment Development Fund to the Development Bank for operating funds. In January 1992, the assets and liabilities of the Marshall Islands Housing Authority were transferred to the Development Bank.

The Marshall Islands fiscal year 1995 single audit report showed that the Development Bank had net loans receivable of \$6.2 million, interest income of \$1.1 million, and a calendar year 1994 operating loss of \$1.1 million. In addition, the single audit reported contributed capital of \$17.3 million and an unreserved retained earnings deficit of \$8.3 million.



## **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) Compact Section 211(B) funds were used efficiently and effectively in accordance with the intent of the Compact and (2) loans and interest receivables were properly accounted for and effectively collected. The scope of the audit will include a review of all loans issued and administered during fiscal years 1997 and 1998 and other periods as appropriate.

# **FACT SHEET**

## **MANAGEMENT AND OVERSIGHT OF SELECTED CONSTRUCTION PROJECTS, REPUBLIC OF PALAU**

### **TYPE OF AUDIT**

Performance (economy and efficiency)

### **BACKGROUND**

On October 1, 1994, the 50-year Compact of Free Association between the United States and the Republic of Palau became effective and provided, when compared with funding of prior years, a substantial increase in United States funding to the Republic. During fiscal years 1990 through 1994, under the Trust Territory of the Pacific Islands, the Republic received 14 capital improvement project grants, totaling \$26 million. These projects are subject to review by the Office of Insular Affairs, U.S. Department of the Interior. For the first year of the Compact, fiscal year 1995, Sections 212 and 215 of the Compact stated that the Republic was to receive \$36 million (plus an adjustment for inflation from fiscal year 1981) for capital improvements.

Compact Section 23(a) requires the Republic to promulgate, with the concurrence of the U.S. Government, an "official national development plan" and to expend the funds provided under Section 212 in accordance with this plan. For fiscal year 1995, the plan listed 26 capital improvement projects, with an estimated cost of \$117 million. The Capital Improvement Project Office in the Bureau of Public Works, within the Ministry of Resources and Development, is responsible for providing management and oversight of Republic of Palau construction projects. The Capital Improvement Project Office has a staff of 21 individuals.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether the Government of the Republic of Palau and the Office of Insular Affairs, U.S. Department of the Interior, provided adequate management and oversight of construction projects funded by either the Trust Territory of the Pacific Islands or the Compact of Free Association. The audit scope will include a review of a sample of projects selected from construction projects in process and/or completed during fiscal years 1995 through 1998.

# **FACT SHEET**

**FEDERAL TRANSIT ADMINISTRATION GRANTS,**  
**DEPARTMENT OF PUBLIC WORKS,**  
**GOVERNMENT OF THE VIRGIN ISLANDS**

**TYPE OF AUDIT**

Financial related - grants

**BACKGROUND**

Federal Transit Administration programs are governed by the Code of Federal Regulations (49 CFR 605). The Department of Public Works is the cognizant agency responsible for administering Federal Transit Administration grants awarded by the U.S. Department of Transportation. These grants provide the Department with funds to purchase buses to be used (1) by nonprofit organizations for the transportation of elderly and disabled residents and (2) for a public mass transit system in the Virgin Islands.

As of January 1998, there were seven grant awards, totaling \$1 million, for the purchase of vehicles for the elderly and disabled, of which \$0.8 million was unexpended. In addition, there were 11 grant awards, totaling \$13 million, for mass transit buses, of which \$6.6 million was unexpended.

**AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) the Department of Public Works complied with grant terms and applicable laws and regulations; (2) charges made against grant funds were reasonable, allowable, and allocable pursuant to the grant agreement provisions; (3) funds received through electronic transfers were appropriately deposited to and accounted for in the Financial Management System; and (4) drawdowns were made in accordance with the Cash Management Improvement Act of 1990. The scope of the audit will include a review of grant transactions that occurred during fiscal years 1997 and 1998 and policies and procedures in effect for the audit period reviewed.

# **FACT SHEET**

## **ENVIRONMENTAL PROTECTION AGENCY GRANTS,** **DEPARTMENT OF PUBLIC WORKS,** **GOVERNMENT OF THE VIRGIN ISLANDS**

### **TYPE OF AUDIT**

Financial related - grants

### **BACKGROUND**

The Department of Public Works is the cognizant agency responsible for administering U.S. Environmental Protection Agency grants through the Environmental Engineering Division. The grants are to be used for various projects, including the construction of wastewater facilities on both St. Thomas and St. John, and programs to dispose of used oil and to manage solid waste.

The Government of the Virgin Islands is under a court consent decree to improve its wastewater treatment facilities. Recent studies have determined that none of the sewage treatment plants on St. Thomas met Federal permit standards and that most violated Federal levels for contaminants in the treated water.

As of January 1998, there were five grant awards on St. Thomas, totaling \$19 million, of which \$17 million was unexpended. In addition, there were two grant awards on St. Croix, totaling \$4 million, of which \$0.8 million was unexpended

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) the Department of Public Works complied with grant terms and applicable laws and regulations; (2) charges made against grant funds were reasonable, allowable, and allocable pursuant to the grant agreement provisions; (3) funds received through electronic transfers were appropriately deposited to and accounted for in the Financial Management System; and (4) drawdowns were made in accordance with the Cash Management Improvement Act of 1990. The scope of the audit will include a review of grant transactions that occurred during fiscal years 1997 and 1998 and policies and procedures in effect for the audit period reviewed.

# **FACT SHEET**

## **CONSOLIDATED GRANT PROGRAM, DEPARTMENT OF EDUCATION, GOVERNMENT OF THE VIRGIN ISLANDS**

### **TYPE OF AUDIT**

Financial related - grants

### **BACKGROUND**

The Department of Education is responsible for administering and operating all public elementary and secondary schools in the Virgin Islands; vocational, adult, and special education programs; and libraries and curriculum centers for the public and nonpublic schools. The Consolidated Grant Program is funded through grants from the U.S. Department of Education, and the grant funds are divided equally between the districts of St. Thomas/St. John and St. Croix.

The Department of Education was awarded a \$17.6 million grant under the Consolidated Grant Program for the period of October 1, 1996, to February 18, 1998. Of that amount, \$13.4 million was allotted to Consolidated Programs, and \$4.1 million was allotted to Special Education Programs. Of the \$4.1 million for Special Education Programs, \$600,000 was subgranted to the Department of Health's Infant and Child Care Program. The Department of Education receives quarterly allotment reports from the Infant and Child Care Program. Eighty-four percent of the funds received under the Consolidated Grant Program were used for personnel services.

The Consolidated and Special Education Programs were included in the Government of the Virgin Islands single audit for fiscal year 1994, which was performed by a certified public accounting firm. The single audit disclosed that the Government did not comply with the requirement for monitoring subrecipients in two of the Consolidated Programs. The single audit for 1995 was in progress as of July 1998.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) the Department of Education complied with grant and subgrant terms and applicable laws and regulations; (2) charges made against grant funds were reasonable, allowable, and allocable pursuant to the grant and subgrant agreement provisions; (3) funds received through electronic transfers were appropriately

deposited to and accounted for in the Financial Management System; and (4) drawdowns were made in accordance with the Cash Management Improvement Act of 1990. The scope of the audit will include a review of grant transactions that occurred during fiscal years 1997 and 1998 and policies and procedures in effect for the audit period reviewed.

# **FACT SHEET**

## **LOW-INCOME HOUSING ASSISTANCE,** **VIRGIN ISLANDS HOUSING AUTHORITY,** **GOVERNMENT OF THE VIRGIN ISLANDS**

### **TYPE OF AUDIT**

Financial related - grants

### **BACKGROUND**

The Virgin Islands Housing Authority is a public housing corporation that operates under the provisions of the United States Housing Act of 1937 and Title 29, Chapter 1, of the Virgin Islands Code. The Housing Authority is governed by a Board of Commissioners, consisting of nine members. The day-to-day operations are managed by an Executive Director. The Housing Authority administers two U.S. Department of Housing and Urban Development low-rent housing programs PHA [Public Housing Authority]-Owned Rental Housing and Section 8 Housing Assistance Payments Program). The Housing Authority is responsible for renting, maintaining, and supervising 32 communities, which are located on St. Thomas (14), St. Croix (17), and St. John (1). These communities consisted of 5,011 units as of March 1998.

Under the new Comprehensive Grant Program, the U.S. Department of Housing and Urban Development provides modernization funding on a formula basis to the Housing Authority to improve the physical condition and to upgrade the management and operation of existing public housing. For fiscal year 1998, the Housing Authority budgeted for \$10 million under the Comprehensive Grant Program. For fiscal year 1997, funds for the Housing Authority's Comprehensive Grant Program totaled \$6.3 million. In addition, the local Government-approved appropriation to the Housing Authority for fiscal year 1997 was \$950,000, although the Housing Authority requested a local appropriation of \$3.7 million.

Performance improvements have been targeted by the U.S. Department of Housing and Urban Development in the areas of management and tenant services, maintenance, and modernization. The Housing Authority said that it plans to develop and implement programs and procedures to reduce tenant accounts receivable in order to attain a delinquency level consistent with requirements of the U.S. Department of Housing and Urban Development. The Housing Authority further stated that it plans to improve the modernization program by providing for the timely obligation of funds and by imposing budgetary and other controls to ensure that funds are spent within appropriated amounts and required time frames.

## **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) the Virgin Islands Housing Authority complied with grant terms and applicable laws and regulations; (2) charges made against grant funds were reasonable, allowable, and allocable pursuant to the grant agreement provisions; (3) funds received through electronic transfers were appropriately deposited to and accounted for in the Housing Authority's financial management system; and (4) drawdowns were made in accordance with the Cash Management Improvement Act of 1990. The scope of the audit will include a review of grant transactions that occurred during fiscal years 1997 and 1998 and policies and procedures in effect for the audit period reviewed.



# **FACT SHEET**

## **DIVISION OF PATERNITY AND CHILD SUPPORT, DEPARTMENT OF JUSTICE, GOVERNMENT OF THE VIRGIN ISLANDS**

### **TYPE OF AUDIT**

Financial related - grants

### **BACKGROUND**

The Child Support Enforcement Program was established under Title IV-D of the Social Security Act. The purpose of the Program is to provide for the coordination and oversight of state efforts to collect and distribute child support payments, and it is administered nationwide by the U.S. Department of Health and Human Services. Within the Virgin Islands, the Division of Paternity and Child Support, under the Virgin Islands Department of Justice, is responsible for operation of the Program. The Division is administered and supervised by a director, who is located on St. Thomas.

The Division was awarded \$1.8 million in fiscal year 1997 to administer the Child Support Enforcement Program in the Virgin Islands. The grant, awarded by the U.S. Department of Health and Human Services, finances 56 percent of the salaries and fringe benefits of the Division's employees who work for the Child Support Enforcement Program.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) the Virgin Islands Department of Justice complied with grant terms and applicable laws and regulations; (2) charges made against grant funds were reasonable, allowable, and allocable pursuant to the grant agreement provisions; (3) funds received through electronic transfers were appropriately deposited to and accounted for in the Financial Management System; and (4) drawdowns were made in accordance with the Cash Management Improvement Act of 1990. The scope of the audit will include a review of grant transactions that occurred during fiscal years 1997 and 1998 and policies and procedures in effect for the audit period reviewed.

# **FACT SHEET**

## **MEDICAID PROGRAM GRANTS, DEPARTMENT OF HEALTH, GOVERNMENT OF THE VIRGIN ISLANDS**

### **TYPE OF AUDIT**

Financial related - grants

### **BACKGROUND**

The Medicaid program (sometimes referred to as the Medical Assistance Program, or MAP) was established under Title XIX of the Social Security Act of 1965. Medicaid is administered in the Virgin Islands by the Bureau of Health Insurance and Medical Assistance of the Department of Health. The Bureau is responsible for administering, planning, and coordinating the program.

As defined in the Act, Medicaid is a vendor payment program in which the program meets the cost of medical and other health care needs of low income families and persons of all ages who cannot afford to pay for their own health care expenses. Eligibility for Medicaid is determined by income and resource criteria. Medicaid coverage is issued for a specified period of time, and the recipient must prove income and resource eligibility for each period of coverage. Payments are made directly to the health care providers for services rendered to eligible individuals. Medicaid served 17,410 recipients in fiscal year 1996 and 17,154 recipients in fiscal year 1997.

The Medicaid program is jointly funded by the U.S. Department of Health and Human Services and the Government of the Virgin Islands, with each providing 50 percent of the program's funding. The Medicaid program received Federal grants of \$4.2 million for fiscal year 1996 and \$4.4 million for fiscal year 1997. An equivalent local match was therefore required from the Government of the Virgin Islands.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) the Department of Health complied with grant terms and applicable laws and regulations; (2) charges made against grant funds were reasonable, allowable, and allocable pursuant to the grant agreement provisions; (3) funds received through electronic transfers were appropriately deposited to and accounted for in the Financial Management System; and (4) drawdowns were made in accordance with

the Cash Management Improvement Act of 1990. The scope of the audit will include a review of grant transactions that occurred during fiscal years 1997 and 1998 and policies and procedures in effect for the audit period reviewed.

# **FACT SHEET**

## **ADMINISTRATION OF FEDERAL GRANTS,** **UNIVERSITY OF THE VIRGIN ISLANDS**

### **TYPE OF AUDIT**

Financial related - grants

### **BACKGROUND**

The University of the Virgin Islands is a 4-year college that was founded in 1962 by Act No. 852. It offers undergraduate, graduate, and continuing education programs to approximately 3,200 full- and part-time students on campuses located on St. Thomas and St. Croix. According to the statement of objectives in the Virgin Islands budget, the University's long-term goal is to be recognized as the leading American institution of higher learning in the Caribbean. It is accredited by the Commission of Higher Education of the Middle States Association and is an active member of the Middle States Association of Colleges and Universities.

The University's funding sources include 12 Federal grants and/or contracts; local government appropriations; private gifts, grants, and contracts; sales and services of auxiliary enterprises (Reichhold Center for the Arts); and endowment income. According to its audited financial statements, the University received \$7.5 million in Federal grants/contracts and \$19.6 million in local funds during fiscal year 1997 and \$6.3 million in Federal grants/contracts and \$19.7 million in local funds during fiscal year 1996.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the audit is to determine whether (1) the University of the Virgin Islands complied with grant terms and applicable laws and regulations; (2) charges made against grant funds were reasonable, allowable, and allocable pursuant to the grant agreement provisions; (3) funds received through electronic transfers were appropriately deposited to and accounted for in the University's financial management system; and (4) drawdowns were made in accordance with the Cash Management Improvement Act of 1990. The scope of the audit will include a review of grant transactions that occurred during fiscal years 1997 and 1998 and policies and procedures in effect for the audit period reviewed.

# **FACT SHEET**

## **VIRGIN ISLANDS WATCH COMPANY QUOTA APPLICATIONS, VIRGIN ISLANDS**

### **TYPE OF AUDIT**

Financial (financial related)

### **BACKGROUND**

Public Law 97-446 authorized duty exemptions for a specified number of watches and watch movements produced or manufactured in a United States insular area for entry into the customs territory of the United States. The U.S. Department of Commerce and the U.S. Department of the Interior have joint responsibility for the Watch Program by setting the annual duty-free quantities among the territories and eligible watch producers.

### **AUDIT OBJECTIVE AND SCOPE**

The objective of the review is to determine the accuracy of watch shipment, salary and wage, and income tax payment data reported in the companies' Forms ITA-334P, "Application for License To Enter Watches and Watch Movements Into the Customs Territory of the United States." The scope of the review will be limited to data reported by the watch companies in their Forms ITA-334P for watch quotas to be allocated for calendar year 1999.